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A MANUAL,

OF THE

PRINCIPLES OF EQUITY.

A MANUAL
OF THE
PRINCIPLES OF EQUITY.

A CONCISE AND EXPLANATORY TREATISE INTENDED
FOR THE USE OF STUDENTS & THE PROFESSION.

CHECKED - 1963

BY

JOHN I N D E R M A U R,
SOLICITOR,

AUTHOR OF "PRINCIPLES OF THE COMMON LAW," "PRINCIPLES AND PRACTICE
OF CONVEYANCING," "MANUAL OF PRACTICE," "EPI TOMES OF
LEADING CASES," &c., &c.

FIFTH EDITION.



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1902.

PREFACE TO FIFTH EDITION.

THE confidence I expressed in my preface to the last edition of this work, as to its success, has proved well founded, and I am very pleased to be able to now present a new, and, I trust, still further improved edition. I have spared no pains in my effort to make the book specially suitable for students, but, at the same time, I have not lost sight of the fact that it is intended to be useful in a limited way to practitioners. Above all, I have striven to give plain and definite statements, and, appreciating the value of illustrations, I have given them as far as space permitted. As it is, I have been obliged to make this edition a little larger than the previous one, but even now I think it will be admitted that the book is of very moderate dimensions for a work on such a wide and important subject.

Over four years have elapsed since the Fourth Edition was published, and there have been a number of important cases decided during that period. I have endeavoured to select the best of these, and think that I have omitted nothing of material importance. The Chapter on Administration has been to a great extent re-written, and though it is too much to hope that it is in all its details entirely correct, I think that it is mainly so, and I trust that the subject will be found dealt with in a manner capable of being understood. I have had the

advantage of discussing various points on it with friend and colleague, Mr. Thwaites, to whom I express my indebtedness. I am also, as usual, indebted to various pupils for remarks and suggestions whilst I have been taking them through the text. My son, Mr. Laurence Indermann, has assisted with the proof sheets and the index.

I have, for the special benefit of students, put most prominent and useful cases in the end notes, as a hint of the best decisions to be resorted to.

22, CHANCERY LANE, W.C.,

February, 1902

J

PREFACE TO FOURTH EDITION.

IN 1886 I conceived the idea of writing a concise and explanatory Treatise on Equity, and the first edition of this book was duly published in December of that year. Since then the book has gone through three editions, and I now present the fourth edition, which though the same in design and arrangement, is very different in detail. I found that my book as originally written was too condensed, and in each edition I have gradually expanded it. I confess I have not felt altogether satisfied with it hitherto, notwithstanding the approval it has met with. I have, therefore, spared neither time nor trouble in my efforts as regards this present edition, and I hope that I have at last accomplished my design of producing a work which will prove thoroughly satisfactory to students, and be of some use also to members of the profession. It is intended as a companion volume to my "Principles of the Common Law," and I have every confidence now, that it will prove as completely successful as that work has done.

The material for this book was originally drawn to a considerable extent from "White & Tudor's Leading Equity Cases," and "Story's Equity Jurisprudence," and to the Authors and Editors of those works I express my acknowledgments, as I also do to other Authors and Editors whose works I have referred to. As the book has gone on through

previous editions, I have added to it mainly from modern decisions, and particularly is this the case in the present edition, as I fully recognize that though there are certain acknowledged time-honoured "Leading Cases," yet it is in the modern cases that we most usefully find their application and illustration. It has been no easy matter to select the most appropriate recent decisions, but as I have applied my best efforts in that direction, I have some right to hope that it will be found I have not been unsuccessful. As an encouragement to students to go beyond my work, I have made a point of largely quoting and referring to "White & Tudor's Leading Equity Cases," and this course I have also thought might be of special service to practitioners who may refer to my book. For the special benefit of students I have also in this edition made a point of referring to and quoting many of the cases in "Brett's Modern Equity Cases." I make no apology for this edition being increased in bulk, because I believe I have now produced a complete and reliable text book for students, and if that is so, I do not think there can be any good cause for complaint as regards size.

I would express the obligation I am under to the Publishers of "White & Tudor's Leading Equity Cases." A new (seventh) edition of that most valuable work has long been in preparation, and has not at the time of writing this Preface yet actually appeared, though no doubt it will do so before this edition of my book is published. I was favoured with an advance copy of the new edition of "White & Tudor," and have been thus enabled to go through

it, and quote from and refer to it, and by this means this book is published certainly two months earlier than what would otherwise have been the case; for, knowing that a ~~seventh~~ edition of "White & Tudor" was in the press, I certainly should not have liked to have published this new edition without waiting for it.

A good Index is a very essential feature in a law book, and I think that mine will be found thorough and complete.

J. I.

22, CHANCERY LANE, W.C.
November, 1897.

TABLE OF CONTENTS.

INDEX TO CASES CITED	PAGE
INDEX TO STATUTES CITED	xiii
EDITIONS OF TEXT BOOKS REFERRED TO	xxvii
	xxxix

PART I.

THE ORIGIN AND SCOPE OF THE OLD COURT OF CHANCERY, ITS GROWTH, AND ITS MODERN SUBSTITUTE.

CHAP.

I. THE COURT OF CHANCERY AS IT WAS	PAGE
✓ II. THE GENERAL MAXIMS OF EQUITY	1
III. THE CHANCERY DIVISION OF THE HIGH COURT OF JUSTICE	7
	25

PART II.

MATTERS SPECIALLY ASSIGNED TO THE CHANCERY DIVISION OF THE HIGH COURT OF JUSTICE, BY THE JUDICATURE ACT, 1873.

CHAP.

I. OF TRUSTS	PAGE
II. OF TRUSTEES	28
III. OF THE ADMINISTRATION OF THE ESTATES OF DECEASED PERSONS	65
IV. OF THE DISSOLUTION OF PARTNERSHIP, AND THE TAKING OF PARTNERSHIP AND OTHER ACCOUNTS	115
V. MORTGAGES	156
VI. THE RECTIFICATION AND SETTING ASIDE OF WRITTEN INSTRUMENTS, AND HEREIN OF ACCIDENT, MISTAKE, AND FRAUD	172
VII. OF SPECIFIC PERFORMANCE OF CONTRACTS, AND SPECIFIC DELIVERY UP OF CHATTELS	214
VIII. THE JURISDICTION OF THE COURT IN RESPECT OF THE PERSONS AND ESTATES OF INFANTS	263
IX. PARTITION, ETC.	293
	312

PART III.

OF SOME PARTICULAR DOCTRINES AND MATTERS,
WHICH, HAVING HAD THEIR ORIGIN IN EQUITY,
ARE STILL MOST USUALLY PROPER SUBJECTS
FOR CONSIDERATION IN THE CHANCERY DIVI-
SION OF THE HIGH COURT OF JUSTICE.

CHAP.	PAGE
I. ELECTION	321
II. SATISFACTION AND PERFORMANCE	331
III. CONVERSION AND RECONVERSION	359
IV. APPORTIONMENT AND CONTRIBUTION	379
V. PENALTIES AND FORFEITURES	386
VI. MARRIED WOMEN	395
VII. INJUNCTIONS	430
VIII. JURISDICTION OF THE COURT OF AN EXCEPTIONAL NATURE	452

APPENDIX.

TRUSTEE ACT, 1893	459
TRUSTEE ACT, 1893, AMENDMENT ACT, 1894	490
JUDICIAL TRUSTEES ACT, 1896	491
EPITOME OF THE RULES UNDER THE JUDICIAL TRUSTEES ACT, 1896	495
PARTNERSHIP ACT, 1890	498
GENERAL INDEX	515

INDEX OF CASES REFERRED TO.

A.		PAGE		PAGE
ACKROYD	<i>v.</i> Smithson	368, 369, 373	Attorney General	<i>v.</i> Lord
Adams	and Kensington Vestry, <i>Re</i>	33	Mountmorris	151
Adams	<i>v.</i> Angell	177	Attree	<i>v.</i> Hawe
Adams	<i>v.</i> Perry	148	Atwell	<i>v.</i> Atwell
Adamson,	<i>Ex parte</i>	164	Austin	<i>v.</i> Mead
Adderley	<i>v.</i> Dixon	274	Aylesford (Earl of)	<i>v.</i> Morris
Agar	<i>v.</i> Fairfax	319		19, 250, 253
Agar-Ellis,	<i>Re</i> , Agar-Ellis		B.	
	<i>v.</i> Lascelles	298, 301	BACON,	<i>Re</i>
Agra Bank, Limited	<i>v.</i> Barry	202	Bahin	<i>v.</i> Hughes
Alcock	<i>v.</i> Sloper	72	Baker,	<i>Re</i> , Nichols <i>v.</i> Baker
Aldrich	<i>v.</i> Cooper	148	Bainbrigg	<i>v.</i> Browne
Alexander	<i>v.</i> Alexander	258	Baird	<i>v.</i> Wells
Alexander	<i>v.</i> Mills	288	Ball	<i>v.</i> Ball
Aleyn	<i>v.</i> Belchier	255, 257	Ball	<i>v.</i> Coutts
Alleard	<i>v.</i> Skinner	23, 241, 242	Ballance	<i>v.</i> Lamphier
Allen	<i>v.</i> Bewsey	32	Banner	<i>v.</i> Berridge
Allen	<i>v.</i> McPherson	456	Barber,	<i>Re</i> , Burgess <i>v.</i>
Allison	<i>v.</i> Frisby	190	Vinnicomb	109
Ames,	<i>Re</i> , Ames <i>v.</i> Ames	390	Barclay,	<i>Re</i> , Barclay <i>v.</i> An-
Ames	<i>v.</i> Taylor	108	drews	92
Ancaster	<i>v.</i> Mayer	142	Barden, Jane,	<i>In the goods of</i>
Andrew	<i>v.</i> Trinity Hall	328	Barker	<i>v.</i> Ivimey
Anthony,	<i>Re</i> , Anthony <i>v.</i>		Barnes	<i>v.</i> Addy
Anthony		147	Barnes	<i>v.</i> Rackster
Antrobus	<i>v.</i> Smith	35	Barnett	<i>v.</i> Howard
Armitage	<i>v.</i> Coates	402	Barnett,	<i>Re</i> , <i>Ex parte</i> Rey-
Armstrong,	<i>Re</i> , <i>Ex parte</i>		nolds	434
Gilchrist		414	Barratt,	<i>Re</i> , Whitaker <i>v.</i>
Ashworth	<i>v.</i> Munn	145	Barratt	122
Astley	<i>v.</i> Weldon	392	Barrett	<i>v.</i> Hartley
Aston	<i>v.</i> Wood	328	Barron	<i>v.</i> Willis
Atkinson	<i>v.</i> Powell	138, 140	Barrow	<i>v.</i> Barrow
Attorney General	<i>v.</i> Cole	439	Barrow	<i>v.</i> Isaacs
Attorney General	<i>v.</i> Cor-		Bassett	<i>v.</i> Nosworthy
poration of Norwich		435	Batard	<i>v.</i> Hawes
Attorney General	<i>v.</i> Earl of		Bate,	<i>Re</i> , Bate <i>v.</i> Bate
Winchelsea		63	Bateman,	Lady <i>v.</i> Faber
Attorney General	<i>v.</i> Fullerton	320	Battersby's Estate,	<i>Re</i>
Attorney General	<i>v.</i> Jacobs-Smith	44	Beauchamp (Earl of)	<i>v.</i> Winn
			Beauclerk	<i>v.</i> Mead
			Beckett	<i>v.</i> Ramsdale

	PAGE	
Bedford (Duke of) <i>v.</i> Trustees of British Museum . . .	448	Bradshawe <i>v.</i> Huish
Beeman, <i>Re</i> , Fowler <i>v.</i> James . . .	123	Braybrooke (Lord) <i>v.</i>
Beetham, <i>Re</i>	182	Brenchley <i>v.</i> Higgins
Bevor <i>v.</i> Luck	209	Brettle, <i>Re</i>
Belchier, <i>Ex parte</i>	88	Briant, <i>Re</i> , Pount
Belham, <i>Re</i>	114, 123	Shackel
Bellairs <i>v.</i> Bellairs	237, 238	Brice <i>v.</i> Stokes
Bellamy & Metropolitan Board of Works, <i>Re</i> . . .	90	Bridgor, <i>Re</i>
Bellasis <i>v.</i> Uthwait	343	Bridger <i>v.</i> Deane
Bennett <i>v.</i> Bowen	167	Brier, <i>Re</i> , Brier <i>v.</i> Evi
Benton, <i>Re</i> , Smith <i>v.</i> Smith . . .	407	Briggs <i>v.</i> Jones
Benyon <i>v.</i> Benyon	352	Briggs <i>v.</i> Penny
Besant, <i>Re</i> . . . 300, 302, 428, 432		Brinsden <i>v.</i> Williams
Bethell <i>v.</i> Abraham	81	Bristow <i>v.</i> Ward
Biggs <i>v.</i> Hoddinott	175	Britain <i>v.</i> Rossiter
Billing <i>v.</i> Brogden	117	Britten <i>v.</i> Partridge
Bills <i>v.</i> Tatham	36	Broadbent <i>v.</i> Imperial Company
Bingham <i>v.</i> Bingham	224	Broderick, <i>Re parte</i>
Bird, <i>Re</i> , Dodd <i>v.</i> Evans	381	Beetham
Birmingham Brewery Co. <i>v.</i> Powell	442	Brogden, <i>Re</i> , Billing
Biscoe <i>v.</i> Jackson	62	Brogden
Blackborn <i>v.</i> Edgeley	248	Brothwood <i>v.</i> Brothwo
Blackburn <i>v.</i> Stables	46	Brown, Ethel, <i>Re</i>
Blake, <i>Re</i> Blake <i>v.</i> Power	415	Brown, <i>Re</i> , Brown <i>v.</i> B
Blake <i>v.</i> Blake	297	Brown <i>v.</i> Brown
Blandy <i>v.</i> Widmore	18, 357	Brown <i>v.</i> Burdett
Bligh, <i>Re</i>	311	Brown <i>v.</i> Gollaty
Blundell's Trust, <i>Re</i>	410	Buckland <i>v.</i> Pocknell
Blunt <i>v.</i> Lack	332	Buckmaster <i>v.</i> Buckma
Boles & British Land Co.'s Contract, <i>Re</i>	95	Buckton <i>v.</i> May
Bolton <i>v.</i> Currie	100	Budge <i>v.</i> Gummow
Bond, <i>Re</i> , Panes <i>v.</i> Att. Gen. . . .	54	Budgett, <i>Re</i> , Cooper <i>v.</i>
Bonhote <i>v.</i> Henderson	227	
Bonnar <i>v.</i> Lyon	412	Burgess <i>v.</i> Burgess
Bonnard <i>v.</i> Perryman	446	Burgess <i>v.</i> Vinnicombe
Bostock <i>v.</i> Floyer	89	Barrough <i>v.</i> Phileox
Bosvil <i>v.</i> Brander	420	Barrow <i>v.</i> Seammell
Bourne <i>v.</i> Bourne	367	Barrowes <i>v.</i> Lock
Boustead <i>v.</i> Collier	71	Butterworth, <i>Re</i> , <i>Re p</i>
Bowen, <i>Re</i> , Bennett <i>v.</i> Bowen	167	Russell
Bowes, <i>Re</i> , Strathmore <i>v.</i> Vane	127	Buxton <i>v.</i> Lister
Bown, <i>Re</i> , O'Halloran <i>v.</i> King	407, 408, 409	
Boyes <i>v.</i> Carritt	47, 52	CADMAN <i>v.</i> Cadman
Bracebridge <i>v.</i> Buckley	389	Cain <i>v.</i> Moon
Bracken, <i>Re</i> , Doughty <i>v.</i> Townson	119	Calham <i>v.</i> Smith
Bradford Banking Co. <i>v.</i> Briggs	205	Callaghan, <i>Re</i> , Elliott
		Lambert
		Calvert <i>v.</i> Laxton
		Campbell, <i>Re parte</i> , Cam
		bell <i>v.</i> Campbell

	PAGE
Camp v. Coe	53
Campden Charities, <i>Re</i>	62, 63, 64
Cann v. Cann	92
Carew's Estate, <i>Re</i>	260
Carlisle, <i>Re</i> , Clegg v. Clegg	162
Carr v. Eastbrooke	425
Carritt v. Bradley	175
Cary & Lott's Contract, <i>Re</i>	119
Cash Limited v. Cash	444
Castell & Brown, Ltd., <i>Re</i>	13
Castle v. Wilkinson	283
Cerule Restaurant Castig- lione Co. v. Lavery	432
Chancey's Case	348
Chapman, <i>Re</i>	77
Chapple, <i>Re</i>	108
Charles v. Jones	196
Chesterfield (Earl of) v. Janssen	251, 252
Chichester v. Bickerstaff	378
Chichester v. Coventry	341
Chillingworth v. Chambers	94
Chitty v. Parker	371
Christison v. Bolam	212
Christmas, <i>Re</i> , Martin v. Lacon	150
City of London v. Pugh	393
Clarke's Trusts, <i>Re</i>	407
Clarke v. Franklin	368
Clarke v. Tipping	167
Clarke v. Wright	43
Clarkson v. Henderson	180, 181
Clarkson v. Robinson	108
Clay & Tetley, <i>Re</i>	115
Clayton's Case	169
Clegg v. Clegg	162
Clements v. Cheeseman	129
Clements v. Gand	323
Cleveland's Estate, <i>Re</i>	74
Clews v. Grindley	113
Clinton v. Hooper	55
Clive v. Carew	406
Coaks v. Boswell	96, 243
Cockburn v. Edwards	243
Cocks v. Chapman	77
Cogan v. Stevens	369
Cogent v. Gibson	274
Collingwood v. Rowe	364
Collyer v. Isaacs	405
Colson v. Williams	196
Columbine v. Penhall	40
Condon v. Vollum	300
Cook v. Gregson	132
Cooke v. Stevens	167

	PAGE
Cooper v. Adams	164
Cooper v. Cooper	326
Cooper v. Macdonald	399, 417
Cooper v. Phibbs	219
Cooper v. Pritchard	102
Cooper-Dean v. Stevens	61
Cornish, <i>Re</i>	96
Corsellis, <i>Re</i> , Lawton v. Elwes	109
Couch v. Stratton	358
Cousins, <i>Re</i>	203
Coventry v. Chichester	339
Cowell v. Edwards	384
Crabtree v. Bramble	377
Craddock v. Piper	109
Craythorne v. Swinburne	384
Credland v. Potter	204
Crichton v. Crichton	350
Crosby v. Church	406
Cross v. Anti-Vivisection Society	59
Cuddee v. Rutter	266
Cummins v. Fletcher	209
Curry v. Pile	352
Curteis v. Wormald	372

D

DAGENHAM Thames Dock Co., <i>Re</i> , <i>Ex parte</i> Hulse	387
Daking v. Whimper	286
Darby v. Whittaker	282
Dartnall, <i>Re</i>	105
Davenport v. Coltman	371
Davidson, <i>Re</i>	377
Davidson v. Illidge	130
Davies v. Goodhew	366
Davies v. Hodgson	406
Davies v. Parry	123
Davies v. Stanford	411
Davis & Cavey, <i>Re</i>	290
Davis v. Forman	279
Davis v. Duke of Marl- borough	31
Dawkins v. Antrobus	445
Day v. Brownrigg	436, 437
Deacon v. Smith	357
Dean, <i>Re</i> , Cooper-Dean v. Stevens	61
Deane, <i>Re</i> , Bridger v. Deane	256
Dearle v. Hall	15, 106
De Hoghton v. Money	261
De Mestre v. West	43
Dent v. De Pothonier	88

	PAGE
De Pothonier, <i>Re</i> , Dent <i>v.</i>	
De Pothonier	88
Dering <i>v.</i> Earl of Winchelsea	383
Derry <i>v.</i> Peek	229
De Visme, <i>Re</i>	52
Dewar <i>v.</i> Maitland	328, 329
De Witte <i>v.</i> Addison	248
Dick <i>v.</i> Fraser	120
Dickson, <i>Re</i> , Hill <i>v.</i> Grant .	303
Dibb <i>v.</i> Walker	191
Diggles, <i>Re</i>	32, 33
Dillon, <i>Re</i> , Duffin <i>v.</i> Duffin .	129
Diplock <i>v.</i> Hammond	14
Dixon, <i>Re</i> , Heynes <i>v.</i> Dixon	416
Dixon <i>v.</i> Gayfere	378
Dodd <i>v.</i> Evans	381
Doetsch, <i>Re</i> , Matheson <i>v.</i>	
Ludwig	165
Doherty <i>v.</i> Allman	447
Donnell <i>v.</i> Bennett	279
Doody, <i>Re</i> , Fisher <i>v.</i> Doody	244
Doughty <i>v.</i> Townson	119
Dowse, <i>Re</i>	349
Dowse <i>v.</i> Gorton	118
Drant <i>v.</i> Vause	365
Dreyfus <i>v.</i> Peruvian Guano	
Co.	455
Drinkwater <i>v.</i> Ratcliffe	316
Drover <i>v.</i> Beyer	451
Drummond & Davies, <i>Re</i>	403
Drury <i>v.</i> Orsmond	121
Dubowski <i>v.</i> Goldstein	442
Dummer <i>v.</i> Pitcher	323
Duncuft <i>v.</i> Albrecht	275
Dunn <i>v.</i> Flood	76
Durham <i>v.</i> Wharton	340
Dursley <i>v.</i> Fitzhardinge	453
Dyer <i>v.</i> Dyer	49

E.

EDGINGTON <i>v.</i> Fitz-	
maurice	229
Edmunds <i>v.</i> Peake	92
Edwards <i>v.</i> Carter	310
Edwards <i>v.</i> West	363
Ehrman <i>v.</i> Bartholomew	443
Elcom, <i>Re</i> , Laybourn <i>v.</i>	
Groves Wright	427
Elderton, <i>Re</i>	302
Eley <i>v.</i> Read	196
Elibank (Lady) <i>v.</i> Monto-	
lieu	19, 421
Ellison <i>v.</i> Ellison	34, 35, 264

	PAGE
Elliott <i>v.</i> Johnson	59
Elliott <i>v.</i> Lambert	307
Elliott <i>v.</i> Morryman	69
Ellis's Trust, <i>Re</i>	107
Elmore <i>v.</i> Pirrie	287
Emuss <i>v.</i> Smith	365
Erlanger <i>v.</i> New Sombroero	
Phosphate Co.	247
Errington, <i>Re</i>	176
Evans, <i>Ex parte</i> , <i>Re</i> Roberts	243
Evans <i>v.</i> Bagshaw	311
Ewing <i>v.</i> Orr-Ewing	20
Eyre <i>v.</i> Countess of Shaftes-	
bury	306

F.

FABER <i>v.</i> Montagu	332
Fairclough <i>v.</i> Manchester	
Ship Canal Co.	450
Falcke <i>v.</i> Gray	271
Fall <i>v.</i> Elkins	314
Farquharson <i>v.</i> Floyer	111, 113
Farrand <i>v.</i> Yorkshire Bank	
ing Co.	13, 201
Farrington <i>v.</i> Forrester	310
Favenc <i>v.</i> Bennett	170
Fearnside <i>v.</i> Flint	190
Fearon, <i>Re</i> Hotchkin <i>v.</i>	
Mayor	408
Fells <i>v.</i> Read	291
Fenwick <i>v.</i> Clarke	92
Ferns <i>v.</i> Carr	380
Fettiplace <i>v.</i> Gorges	102
Field <i>v.</i> Field	77, 88
Field <i>v.</i> Hopkins	171
Field <i>v.</i> White	122
Filby <i>v.</i> Hounsell	266
Fisher <i>v.</i> Doody	211
Fisher <i>v.</i> Keane	115
Fitzgerald, <i>Re</i>	311
Fitzgerald's Trustees <i>v.</i>	
Mollersh	186
Flamank, <i>Re</i> , Wood <i>v.</i>	
Cock	115
Fletcher, <i>Re</i> , Gillings <i>v.</i>	
Fletcher	317
Fletcher <i>v.</i> Ashburner	17, 360
Flower & Metropolitan	
Board of Works, <i>Re</i>	90
Ford <i>v.</i> Olden	175
Forster <i>v.</i> Patterson	184
Foster <i>v.</i> Foster	373, 374, 375
Foveaux, <i>Re</i>	59

	PAGE
Fowkes v. Pascoe . . .	49
Fowle v. Freeman . . .	265
Fowler v. James . . .	123
Fox v. Mackreth. . . .	95
Freeman v. Pope . . .	41, 42
French v. Hope . . .	235
French v. Macale . . .	303
Freund v. Stewart . . .	59
Frisby, <i>Re</i> , Allison v. Frisby	100
Fry v. Lane	251
Fry v. Tapson	84
Fynn, <i>Re</i>	297
Fytche v. Fytche . . .	330

(4)

GALE <i>v.</i> Gale	44
Galton <i>v.</i> Emus	260
Game, <i>Re</i> , Game <i>v.</i> Young	72
Garbutt <i>v.</i> Fawcett	432
Garrard <i>v.</i> Lauderdale	38
Garrett <i>v.</i> Wilkinson	51
Garth <i>v.</i> Cotton	59, 432
Garthshore <i>v.</i> Chalio	357
Gaskin <i>v.</i> Balls	436, 450
Gasquoine <i>v.</i> Gasquoine	89
Geck, <i>Re</i>	59
General Credit and Discount Co. <i>v.</i> Glegg	181
George <i>v.</i> Grose	53
Gerrard <i>v.</i> O'Reilly	252
Ghost <i>v.</i> Waller	90
Gibson <i>v.</i> Doag	391
Gifford <i>v.</i> Fitzhardinge	177
Gilbert, <i>Re</i>	122
Gilbert <i>v.</i> Lewis	400
Gilbertson <i>v.</i> Gilbertson	144
Gilchrist, <i>Ex parte</i> , <i>Re</i> Armstrong	414
Gillingham <i>v.</i> Beddow	164, 442
Gillings <i>v.</i> Fletcher	347
Gimblett, <i>Ex parte</i>	41
Giorgi, <i>Re</i> , Giorgi <i>v.</i> Wood	410
GISBORNE <i>v.</i> Gisborne	109
Glenorchy (Lord) <i>v.</i> Bosville	9, 45
Goddard <i>v.</i> Snow	397
Godden, <i>Re</i> , Teague <i>v.</i> Fox	75
Godfrey, <i>Re</i> , Godfrey <i>v.</i> Faulkner	82
Gooch <i>v.</i> Gooch	51
Gordon <i>v.</i> Gordon	226
Gorton, <i>Re</i> , Dowse <i>v.</i> Gorton	118
Gould, <i>Re</i> , <i>Ex parte</i> Official Receiver	138

	PAGE
(Graham v. Londonderry	419
(Gray v. Siggers	72
(Green v. Green	417
(Green v. Paterson	34
(Greene v. Greene	114
(Greenhill v. Greenhill	368
(Gregory v. Edmondson	33
(Gregson, <i>Re</i> , Christison v. Bolan	211, 212
(Gretton v. Haward	321, 325
(Greville v. Browne	148
(Grey's Settlements, <i>Re</i>	408
(Grey v. Grey	50, 51
(Griffin v. Griffin	35
(Griffith v. Bourke	346
(Griffiths v. Blake	449
(Griffiths v. Hughes	99
(Griffiths v. Ricketts	367
(Grindley, <i>Re</i> , Clows v. Grindley	113
(Grissell, <i>Re</i> , <i>Ex parte</i> Jones	413
(Groves v. Groves.	50
(Goulding v. Morel	447

11.

HALIFAX Banking Co. v.	
Gledhill	42
Hall v. Hill	345, 350
Hallett's Estate, <i>Re</i>	
100, 103, 171	
Hallett v. Hastings	24
Hallows v. Holmes	409
Hamilton, <i>Re</i> , Trench v.	
Hamilton	33
Hauby v. Roberts	149
Hankey, <i>Re</i> , Smith v.	
Hankey	121
Hanson v. Graham	126
Hanson v. Keating	423
Hanson v. Stubbs	133
Harding v. Glynn	216
Harding v. Met. Ry. Co.	362
Hare & O'More's Contract,	
<i>Re</i>	286
Hargreaves & Thompson, <i>Re</i>	
289, 290	
Harkness & Allsopp, <i>Re</i> 67,	403
Harris, <i>Re</i> , Harris v. Harris	122
Harris v. Tubb	43
Harrison v. Guest	233
Harrison v. Harrison	409
Hart v. Hart	428
Harter v. Colman	209

	PAGE		PAGE
Hartley, <i>Re</i> , Williams <i>v.</i>		Horn <i>v.</i> Horn	306
Jones	141	Horlock, <i>Re</i> , Culham <i>v.</i>	
Hartley <i>v.</i> Pendarves	375	Smith	347, 349
Harvey, <i>Re</i> , Harvey <i>v.</i>		Hotchkiss <i>v.</i> Mayor	408
Hobday	382	Howard <i>v.</i> Digby	418
Harvey <i>v.</i> Mount	249	Howard <i>v.</i> Harris	173
Hastings' Estate, <i>Re</i>	24	Howe <i>v.</i> Earl of Dartmouth,	
Hawkesworth <i>v.</i> Chaffey	265		71, 72
Hawkins, <i>Ex parte</i>	362	Hughes <i>v.</i> Met. Ry. Co.	391
Hay <i>v.</i> Wolmer	74	Huguenin <i>v.</i> Buscley	240
Haynes <i>v.</i> Haynes	362, 429	Huish, <i>Re</i> , Bradshawe, <i>v.</i>	
Heald <i>v.</i> Gould	105	Huish	348
Heathcote <i>v.</i> The North		Hulme <i>v.</i> Tenant	411
Staff. Ry. Co.	434	Hulse, <i>Ex parte</i>	385
Hedgeley, <i>Re</i> , Small <i>v.</i>		Humber <i>v.</i> Richards	12
Hedgeley	405	Hunter <i>v.</i> Atty. General	63
Henderson-Roe <i>v.</i> Hitchens	303	Hunter <i>v.</i> Walters	234
Hendry <i>v.</i> Turner	160	Huntingdon <i>v.</i> Huntingdon	
Henry <i>v.</i> Armstrong	36		54, 55
Hensman <i>v.</i> Fryer	141, 143	Hurst <i>v.</i> Beach	353
Henty <i>v.</i> Wrey	255	Hussey <i>v.</i> Horne-Payne	265
Herbert <i>v.</i> Webster	402	Hyett <i>v.</i> Mokin	374
Hermann-Loog <i>v.</i> Bean	446		
Heron <i>v.</i> Heron	423		
Hewett <i>v.</i> Kay	129		
Heynes <i>v.</i> Dixon	416		
Heywood, <i>Re</i>	137		
Higgins <i>v.</i> Hill	239		
Higgs <i>v.</i> Weaver	140		
Hill <i>v.</i> Barclay	389		
Hill <i>v.</i> Edmonds	423		
Hill <i>v.</i> Grant	303		
Hinchinbrook <i>v.</i> Seymour	255		
Hoare <i>v.</i> Osborne	60		
Hobson <i>v.</i> Ferraby	308		
Hodgens <i>v.</i> Hodgens	424		
Hodges <i>v.</i> Hodges	410		
Hodgson, <i>Re</i> , Beckett <i>v.</i>			
Ramsdale	166		
Hodson & Howe's Contract,			
<i>Re</i>	198		
Hoey <i>v.</i> Green	85		
Hoghton <i>v.</i> Hoghton	249		
Holland <i>v.</i> Holland	97, 316		
Holloway <i>v.</i> Radcliffe	377		
Holmes, <i>Re</i> Hallows <i>v.</i>			
Holmes	409		
Hood-Barrs, <i>Ex parte</i> , <i>Re</i>			
Lumley	404		
Hood-Barrs <i>v.</i> Heriot	405		
Hooley <i>v.</i> Hatton	351, 352		
Hope <i>v.</i> Hope	297, 399, 417		
Hope <i>v.</i> Walter	285		
Hopgood <i>v.</i> Parkin	90		
Hopkins <i>v.</i> Hemsworth	15		

I.

ILLIDGIE, <i>Re</i> , Davidson <i>v.</i>	
Illidgo	130
Imperial Loan Co. <i>v.</i> Stone	232
Imperial Mercantile Credit	
Association <i>v.</i> Coleman	247
Ind <i>v.</i> Emmerson	16, 17
Inglo <i>v.</i> Richards	361
Isaacs, <i>Re</i> , Isaacs <i>v.</i> Reginald	364

J.

JACKSON & Woodburn,	
<i>Re</i>	289
Jackson <i>v.</i> Butler	291
James <i>v.</i> Conchman	37
James <i>v.</i> James	198
James <i>v.</i> Kerr	174, 239
James <i>v.</i> Ramsey	185
Jay <i>v.</i> Johnstone	406
Jeffreys <i>v.</i> Jeffreys	35
Jenner-Fust <i>v.</i> Needham	197
Jennings <i>v.</i> Jennings	163
Jennings <i>v.</i> Jordan	209
Jennings <i>v.</i> Ward	174
Jervoise <i>v.</i> Silk	304
Jobson, <i>Re</i> , Jobson	
Richardson	126
Jobson <i>v.</i> Palmer	105

	PAGE
John v. James	38
Johnson, <i>Re</i> , Moore v.	309
Johnson, <i>Re</i> , Shearman v.	118
Johnson v. Evans	186
Johnson v. Johnson	424
Jones, <i>Re</i> , Calvert v. Laxton	124
Jones, <i>Re</i> , Farrington v.	310
Jones, <i>Re</i> , Parker v. Lethbridge	60
Jones, <i>Ex parte</i> , <i>Re</i> Grissell	413
Jones v. Palmer	59
Jordan, <i>In the goods of</i>	456
Joy v. Campbell	88

K.

KAY v. Johnson	307
Keech v. Hall	183
Keech v. Sandford	56
Kelland v. Fulford	362
Kemble v. Farren	392
Kendall v. Hamilton	165
Kennedy v. De Trafford	195, 196
Kensit v. Great Eastern Ry. Co.	439
King, v. Dennison	38
King v. Smith	235
Kinnoul v. Money	55
Kirk v. Eddowes	340, 344, 345
Knight v. Roberts	117, 167
Knight v. Knight	32
Knight v. Simmonds	448
Knox v. Gye	100, 197

L.

LABOUCHERE v. Hess	442
Labouchere v. Earl of Wharncliffe	445
Lacon, <i>Re</i> , Lacon v. Lacon	343, 344
Lacy, <i>Re</i> , Royal General Theatrical Asso. v. Kydd	53
Lake v. Craddock	20
Lake v. Gibson	20
Lambert, <i>Re</i> , Stanton v. Lambert	399, 417
Lancaster v. Allsup	158
Lancefield v. Iggulden	143

	PAGE
Lands Allotment Company, Limited, <i>Re</i>	24, 96
Lane-Fox, <i>Re</i> , <i>Ex parte</i> Gimblett	41
Lansdowne v. Lansdowne	224
Lassence v. Tierney	269
Lawes, <i>Re</i> , Lawes v. Lawes	336, 340, 343
Lawes v. Bennett	362, 363, 364, 365
Lawson v. Harvey	122
Lawton v. Elwes	109
Laybourn v. Groves Wright	427
Leak v. Driffeld	412
Learoyd v. Whiteley	85
Lechmere v. Lechmere	18, 355, 356
Legg v. Goldwire	221
Leopard v. Litoun	260
Leng, <i>Re</i> , Tarn v. Emmerson	136, 137, 139
Lester v. Foxcroft	267
Lever v. Beddingfield	444
Lever v. Koffler	266
Lickorish, <i>Ex parte</i> , <i>Re</i> Wallis	244
Liles v. Terry	245
Lindsell v. Phillips	190
Liquidation Estates Purchase Company v. Willoughby	177
Lisle v. Reeve	175
Little, <i>Re</i> , Harrison v. Harrison	409
Lloyd v. Lloyd	60
Lock v. Pearce	389
Lockhart v. Hardy	200
Loffus v. Mawe	269
London Assurance Company v. Mansel	231
London, City of, v. Pugh	393
London Scottish Benefit Society v. Chorley	244
London and Yorkshire Banking Co. v. Pritt	393
Low v. Bouverie	105, 229
Lowther v. Lowther	291
Lucas v. Harris	277
Luddy's Trustee v. Peard	243
Lumley, <i>Re</i> , <i>Ex parte</i> Hood-Barrs	404
Lumley v. Wagner	278, 442
Lyon v. Home	241
Lyons, <i>Re</i>	297
Lytton (Earl of) v. Devey	441, 442

M.

	PAGE
MACKAY <i>v.</i> Douglas	42
Mackie <i>v.</i> Herbertson	44
Mackreth <i>v.</i> Symons	57
Macdonald, <i>Re</i> , Dick <i>v.</i> Fraser	120
Macdonald <i>v.</i> Irvine	72
Machin <i>v.</i> Bennett	163
McCormick <i>v.</i> Grogan	33, 47
McGregor <i>v.</i> McGregor	428
McManus <i>v.</i> Cooke	270, 271
McPherson <i>v.</i> Watt	244
McQueen <i>v.</i> Farquhar	281
Maddever, <i>Re</i>	23
Maddison <i>v.</i> Alderson	269
Maggi, <i>Re</i>	135
Magnus <i>v.</i> Queensland National Bank	212
Magrath <i>v.</i> Morehead	46
Mara <i>v.</i> Browne	102
Marsh <i>v.</i> Lee	11, 204
Marshall <i>v.</i> Cruttwell	50
Martin <i>v.</i> Lacon	150
Massy <i>v.</i> Rowen	400
Matheson <i>v.</i> Ludwig	165
Matthewman's Case	411
Matthews <i>v.</i> Matthews	340
May <i>v.</i> Thomson	265, 280
Mead, <i>Re</i> , Austin <i>v.</i> Mead	129
Mellersh <i>v.</i> Brown	189
Melluish <i>v.</i> Milton	456
Mercer, <i>Ex parte</i> , <i>Re</i> Wise	41
Merchant Banking Co. of London <i>v.</i> The London and Hanseatic Bank	199
Michael's Trusts, <i>Re</i>	402
Meux <i>v.</i> Bell	106
Meyer <i>v.</i> Simmonson	73
Mildmay <i>v.</i> Quicke	374, 375
Millard, <i>Re</i> , <i>Ex parte</i> Yates	118
Miller & Aldworth, Limited <i>v.</i> Sharp	268
Miller <i>v.</i> Cook	250
Mills' Trust, <i>Re</i>	69, 188
Mills <i>v.</i> Fowkes	170
Milroy <i>v.</i> Lord	35
Minors <i>v.</i> Battison	109
Mitchell, <i>Re</i> , Mitchell <i>v.</i> Mitchell	90
Mogg <i>v.</i> Hodges	150
Molony <i>v.</i> Brooke	124
Monck <i>v.</i> Monck	346
Money <i>v.</i> Money	308
Monson <i>v.</i> Tussaud	446

Montagu, *Re*, Faber *v.* tagu
 Montagu *v.* Earl of Sand
 Montefiore *v.* Guedella
 Moore *v.* Johnson
 Moore *v.* Moore
 Moore *v.* North Western Bank
 Moran *v.* Price
 Morgan, *Re*, Smith *v.*
 Morgan *v.* Minett
 Morley *v.* Bird
 Morley *v.* Rennoldson
 Mower's Trusts, *Re*
 Murray *v.* Lord Elibank
 Mussoorie Bank *v.* Ra

N.

NATIONAL Provincial Bank *v.* Games
 National Provincial Bank *v.* Marshall
 Nesham *v.* Selby
 Nevill *v.* Snelling
 Newbould *v.* Smith
 Newstead *v.* Searles
 Newton, *Re*
 Newton *v.* Chapple
 Newton *v.* Sherry
 Nichols *v.* Baker
 Nicholson *v.* Field
 Nixon *v.* Smith
 Noakes *v.* Rice
 North London Railway *v.* Great Northern Railway Co.
 Northern Counties of Lancashire and Fire Insurance Whipp
 Norton *v.* Norton
 Nottage, *Re*
 Noys *v.* Mordaunt
 Nugent *v.* Vetsera
 Nunn *v.* Barlow
 Nunn *v.* Fabian
 Nutt *v.* Easton

O.

OAKES *v.* Turquand
 O'Halloran *v.* King
 Oldfield *v.* Round

	PAGE
Oldham <i>v.</i> Stringer . . .	198
Oliver <i>v.</i> Brickland . . .	358
Oliver <i>v.</i> Hinton . . .	202, 207
Orsmond, <i>Re</i> . . .	121
Osborn <i>v.</i> Morgan . . .	426
Otter <i>v.</i> Lord Vaux . . .	195
Overton <i>v.</i> Bannister . . .	19
Owens, <i>Re</i> , Owens <i>v.</i> Green . . .	124
Oxford's (Earl of) Case . . .	431

P.

PAGE <i>v.</i> Horne . . .	249
Paget <i>v.</i> Paget . . .	55
Palliser <i>v.</i> Gurney . . .	412
Panes <i>v.</i> Attorney General . . .	54
Parfitt <i>v.</i> Lawless . . .	246
Parker <i>v.</i> Brook . . .	415
Parker <i>v.</i> Lethbridge . . .	60
Parsons, <i>Re</i> , Stockley <i>v.</i> Parsons . . .	397
Parsons <i>v.</i> Parsons . . .	306
Parsons <i>v.</i> Miller . . .	141
Partington <i>v.</i> Allen . . .	85
Pass <i>v.</i> Dundas . . .	107
Patrick, <i>Re</i> . . .	36
Pawley and London and Provincial Bank, <i>Re</i> . . .	70, 116
Peachey <i>v.</i> Duke of Somerset . . .	10, 386
Pearson <i>v.</i> Pearson . . .	164, 442
Pemberton <i>v.</i> Barnes . . .	316
Penn <i>v.</i> Lord Baltimore . . .	20, 288
Pennell <i>v.</i> Franklin . . .	108, 246
Pennell <i>v.</i> Hallett . . .	356
Pennington, <i>Re</i> . . .	40
Perrins <i>v.</i> Bellamy . . .	113
Petre <i>v.</i> Petre . . .	100
Pettifer <i>v.</i> Pettifer . . .	238
Phillips, <i>Ex parte</i> . . .	374
Phillips <i>v.</i> Mullings . . .	37
Pickergill <i>v.</i> Rodger . . .	330
Pidcock <i>v.</i> Bishop . . .	231
Pike <i>v.</i> Fitzgibbon . . .	412
Pinet & Cie. <i>v.</i> Maison Louis-Pinet . . .	444
Pirbright <i>v.</i> Salway . . .	60
Pledge <i>v.</i> White . . .	210
Pollard's Settlement, <i>Re</i> . . .	410
Plunkett <i>v.</i> Lewis . . .	350
Poole, <i>Ex parte</i> . . .	357
Pooley, <i>Re</i> . . .	108, 246
Pooley <i>v.</i> Budd . . .	275
Pooley's Trustee <i>v.</i> Whetham . . .	243

	PAGE
Potter <i>v.</i> Duffield . . .	266
Potts <i>v.</i> Britton . . .	81
Poulter <i>v.</i> Shackel . . .	421, 424
Powell <i>v.</i> Hemkey . . .	415
Powell <i>v.</i> Powell . . .	249
Powers, <i>Re</i> , Lindsell <i>v.</i> Phil- lips . . .	190
Powys <i>v.</i> Mansfield . . .	336
Preston <i>v.</i> Luck . . .	449
Price <i>v.</i> Jenkins . . .	43
Pride, <i>Re</i> , Shackell <i>v.</i> Col- nett . . .	178
Priest <i>v.</i> Uppleby . . .	87
Prytherch, <i>Re</i> , Prytherch <i>v.</i> Williams . . .	192
Pulteney <i>v.</i> Darlington . . .	378
Purdew <i>v.</i> Jackson . . .	426
Pusey <i>v.</i> Pusey . . .	291
Pye, <i>Ex parte</i> 17, 336, 337, 338 . . .	
Pyle, <i>Re</i> , Pyle <i>v.</i> Pyle . . .	365
Pym <i>v.</i> Lockyer . . .	338

R.

RADCLIFFE, <i>Re</i> , Radcliffe <i>v.</i> Bewes . . .	257
Ramsey <i>v.</i> Gilchrist . . .	64
Ratcliffe, <i>Re</i> . . .	67
Ravenscroft <i>v.</i> Jones . . .	342
Ray, <i>Ex parte</i> . . .	400
Reddaway <i>v.</i> Banham & Co., Ltd. . . .	444
Redgrave <i>v.</i> Hurd . . .	229
Redman <i>v.</i> Redman . . .	238
Reid <i>v.</i> Reid . . .	397, 422, 424
Rent, &c., Co. <i>v.</i> Troughton . . .	40
Reuter <i>v.</i> Sala . . .	284
Reynolds, <i>Ex parte</i> , <i>Re</i> Bar- nett . . .	434
Reynolds <i>v.</i> Godlee . . .	372
Rhoades, <i>Re</i> . . .	124
Rice <i>v.</i> Noakes . . .	175
Richards, <i>Re</i> , Humber <i>v.</i> Richards . . .	12
Richards, Lawson <i>v.</i> Harvey . . .	122
Richards <i>v.</i> Delbridge . . .	35, 36
Richardson <i>v.</i> Smith . . .	282
Richerson, <i>Re</i> , Scales <i>v.</i> Heyhoe . . .	371
Richmond <i>v.</i> White . . .	123
Ridler <i>v.</i> Ridler . . .	43
Ridley, <i>Re</i> , Buckton <i>v.</i> May . . .	402
Ridout <i>v.</i> Lewis . . .	418

	PAGE		PAGE
Roberts, <i>Re</i> , Knight <i>v.</i>		Sayre <i>v.</i> Hughes . . .	61
Roberts . . .	117, 167	Scales <i>v.</i> Heyhoe . . .	371
Roberts, <i>Re</i> , <i>Ex parte</i>		Scanlan, <i>Re</i> . . .	301
Evans . . .	243	Scott, <i>Re</i> , Scott <i>v.</i> Hanbury	309
Robertson <i>v.</i> Broadbent . .	142	Scott <i>v.</i> Hanson . . .	281
Robinson <i>v.</i> Harkin . . .	88, 89, 93	Scott <i>v.</i> Morley . . .	113
Robinson <i>v.</i> Hewer . . .	443	Scott <i>v.</i> Tylor . . .	237
Robinson <i>v.</i> Robinson . . .	92	Seaton <i>v.</i> Seaton . . .	309
Robinson <i>v.</i> Wheelwright	332, 409	Seaward <i>v.</i> Patterson . .	460
Rochefoucauld <i>v.</i> Boustead	33, 34	Seeley <i>v.</i> Jago . . .	300, 377
Rock <i>v.</i> Cullen . . .	352	Sefton, Earl of, <i>Re</i> . . .	333
Rogers <i>v.</i> Challis . . .	266	Selby <i>v.</i> Pomfret . . .	211
Rogers <i>v.</i> Rice . . .	389	Seton <i>v.</i> Slade . . .	283
Rolfe <i>v.</i> Peterson . . .	394	Shackell <i>v.</i> Colnett . . .	178
Rolls <i>v.</i> Pearce . . .	129	Sharp <i>v.</i> Foy . . .	98
Rolt <i>v.</i> Hopkinson . . .	205	Shearman <i>v.</i> Robinson . .	118
Rossiter <i>v.</i> Miller . . .	265, 266	Shelfer <i>v.</i> City of London	
Rowlls <i>v.</i> Bebb . . .	73, 92, 127, 197	Electric Lighting Co. . .	419
Rownson, <i>Re</i> , Field <i>v.</i> White	122	Shelley's Case . . .	44
Royal General Theatrical		Shepard <i>v.</i> Jones . . .	193, 194
Association <i>v.</i> Kydd . . .	53	Sidmouth <i>v.</i> Sidmouth . .	61
Rudd <i>v.</i> Lascelles . . .	283	Simpson <i>v.</i> Denison . . .	436
Rudge <i>v.</i> Rickens . . .	200	Sims, <i>Re</i> . . .	38
Russel <i>v.</i> Russel . . .	182	Sinclair <i>v.</i> James . . .	311
Russell, <i>Ex parte</i> , <i>Re</i>		Skinner <i>v.</i> Skinner . . .	296
Butterworth . . .	42	Slade <i>v.</i> Barlow . . .	311
Rymer, <i>Re</i> Rymer <i>v.</i> Stans-		Sloman <i>v.</i> Walter . . .	10, 386, 387
field . . .	62	Small <i>v.</i> Hedgeley . . .	406
		Smethurst <i>v.</i> Hastings . .	85
		Smith <i>v.</i> Batsford . . .	283
		Smith, <i>Re</i> , Henderson-Roe	
		<i>v.</i> Hitchens . . .	303
		Smith, <i>Re</i> , Smith <i>v.</i> Thompson	81, 82
		Smith <i>v.</i> Chadwick . . .	229
		Smith <i>v.</i> Claxton . . .	371
		Smith <i>v.</i> Cooke . . .	38
		Smith <i>v.</i> Everett . . .	163
		Smith <i>v.</i> Garland . . .	286
		Smith <i>v.</i> Hankey . . .	121
		Smith <i>v.</i> Houblon . . .	257
		Smith <i>v.</i> May . . .	374
		Smith <i>v.</i> Morgan . . .	134
		Smith <i>v.</i> Smith . . .	407
		Snowden <i>v.</i> Snowden . . .	355
		Soar <i>v.</i> Ashwell . . .	100
		Soltan <i>v.</i> De Held . . .	438
		Somerset (Duke of) <i>v.</i>	
		Cookson . . .	291
		Somerset, <i>Re</i> , Somerset <i>v.</i>	
		Earl Poulett . . .	97, 98
		Somes, <i>Re</i> . . .	257, 258
		South African Territories <i>v.</i>	
		Wallingford . . .	266

S.

SACKVILLE-WEST <i>v.</i> Vis-	
count Holmesdale . . .	45
Saffron Walden Building	
Society <i>v.</i> Rayner . . .	201
Salomons <i>v.</i> Knight . . .	446
Salmon, <i>Re</i> , Priest <i>v.</i> Up-	
pleby . . .	87
Salt, <i>Re</i> , Brothwood <i>v.</i>	
Brothwood . . .	141
Salt <i>v.</i> Marquis of North-	
ampton . . .	173, 174
Sampson & Wall, <i>Re</i> . . .	309
Sanders-Clarke <i>v.</i> Grosvenor	
Mansions . . .	439
Sands to Thompson . . .	212
Santley <i>v.</i> Wilde . . .	175
Saul <i>v.</i> Pattinson . . .	257
Sawyer <i>v.</i> Goddard . . .	105
Saxlehner <i>v.</i> Apollinaris	
Company . . .	444
Sayers <i>v.</i> Collyer	
285, 287, 447, 448	

	PAGE
Speight, <i>Re</i> , Speight <i>v.</i>	
Gaunt	88, 90
Spike <i>v.</i> Harding.	320
Spirett <i>v.</i> Willows	41
Spradbery's Mortgage, <i>Re</i> .	187
Spread <i>v.</i> Morgan	329
Stanley <i>v.</i> Stanley	98
Stanton <i>v.</i> Lambert	399, 417
Stapilton <i>v.</i> Stapilton. . . .	225
Stapleton <i>v.</i> Cheales	126
Stead, <i>Re</i> , Whitham <i>v.</i>	
Andrews	48, 49
Stead <i>v.</i> Newdigate	368
Steed <i>v.</i> Preece	373
Steele <i>v.</i> Dixon	384
Stevens, <i>Re</i> , Cooke <i>v.</i>	
Stevens	167
Stevens <i>v.</i> Trevor-Garrick . .	327
Stevenson <i>v.</i> Mason	340
Stockley <i>v.</i> Parsons	397
Stokell <i>v.</i> Niven	266
Stokes, <i>Re</i> , Parsons <i>v.</i> Miller	141
Stone's Will, <i>Re</i>	15
Stone <i>v.</i> Lickorish	244
Stott <i>v.</i> Milne	94
Stourton <i>v.</i> Stourton	301
Strathmore (Countess of) <i>v.</i>	
Bowes	397, 398
Strathmore (Earl of) <i>v.</i> Vane	127
Streatfield <i>v.</i> Streatfield	
	324, 333
Stretch <i>v.</i> Watkins	305
Stubbs' Estate, <i>re</i> , Hanson	
<i>v.</i> Stubbs	433
Sturges <i>v.</i> Coep	402
Sturgis <i>v.</i> Champneys	421
Summers <i>v.</i> Barrow	66
Surcombe <i>v.</i> Pinniger	269
Surman <i>v.</i> Wharton	417
Sutton <i>v.</i> Sutton	189
Sweetapple <i>v.</i> Bindon.	367
Swift <i>v.</i> Swift	299
Swinfen <i>v.</i> Swinfen	92
Symonds <i>v.</i> Hallett	417

T.

TALBOT (Earl of) <i>v.</i> Scott	435
Talbot <i>v.</i> Duke of Shrews-	
bury	346, 348
Tarn <i>v.</i> Emmerson	136, 137, 139
Tarn <i>v.</i> Turner	185
Tarsey's Trusts, <i>Re</i>	400
Tasker <i>v.</i> Tasker	419, 420

	PAGE
Taylor, <i>Re</i> , Taylor <i>v.</i> Wade .	124
Taylor <i>v.</i> Blacklock	11
Taylor <i>v.</i> Meads	402, 403
Taylor <i>v.</i> Neville	274
Taylor <i>v.</i> Pugh	398
Taylor <i>v.</i> Russell.	11
Teague <i>v.</i> Fox	75
Tee <i>v.</i> Ferris	47
Thomas, <i>Re</i> , Thomas <i>v.</i>	
Howell	362
Thomas <i>v.</i> Williams	446
Thompson <i>v.</i> Hudson	174, 387
Thompson <i>v.</i> Ringer	289
Thompson <i>v.</i> Shakespeare . .	60
Thorley, <i>Re</i> , Thorley <i>v.</i>	
Massam	95
Thorley's Cattle Food Co. <i>v.</i>	
Massam	446
Thorndike <i>v.</i> Hunt	11
Thorn <i>v.</i> Cann	177
Thorne <i>v.</i> Heard	96, 197
Thynne <i>v.</i> Earl of Glengall .	340
Thynne <i>v.</i> Shove	164
Tilley <i>v.</i> Thomas	284
Timmis, <i>Re</i>	97
Timson <i>v.</i> Ramsbottom	106
Tippett and Newbould, <i>Re</i> .	290
Tipping <i>v.</i> Tipping	419
Tollet <i>v.</i> Tollet	215, 216
Tolson <i>v.</i> Collins.	350
Tomlin <i>v.</i> Luce	196
Tomson <i>v.</i> Judge.	245
Topham <i>v.</i> Duke of Port-	
land	255
Torrance's Settlement, <i>Re</i> .	410
Toulmin <i>v.</i> Steer	176
Townley <i>v.</i> Bedwell	364
Townley <i>v.</i> Sherborne.	88
Townshend Peerage Case . .	453
Townshend <i>v.</i> Stangroom . .	273
Treasury Solicitor <i>v.</i> Lewis .	129
Trego <i>v.</i> Hunt	164, 442
Trench <i>v.</i> Hamilton	33
Trevor <i>v.</i> Hutchins	123
Trott <i>v.</i> Buchanan	142, 145
Trotter, <i>Re</i> , Trotter <i>v.</i>	
Trotter	108
Troughton, <i>Re</i>	40
Tufdnell <i>v.</i> Nicholls	197
Tugwell, <i>Re</i>	362
Tullett <i>v.</i> Armstrong.	401
Turner, <i>Re</i> , Barker <i>v.</i> Ivimey	113
Turner <i>v.</i> Green	229
Tussaud's Estate, <i>Re</i> , Tus-	
saud <i>v.</i> Tussaud	341, 342, 345

	PAGE		PAGE
Tussaud v. Tussaud	335, 349, 445	Wasdale, <i>Re</i> , Britten v. Partridge.	107
Tyars v. Alsop	245, 246	Wassell v. Loggatt	97, 415
Tyrrell's Case	30	Weaver, <i>Re</i> , Higgs v. Weaver	140
		Webb v. Jonas	86
U.		Webb v. Smith	153, 154
UNION Bank of London v. Ingram	199	Webley v. Webley	296
Unsworth v. Jordan	159	Weeding v. Weeding	365
		Weeke's Settlement, <i>Re</i>	217
V.		Welch, <i>Re</i>	305
VALENTINE Meat Juice Co. v. Valentine Meat Extract Co.	444	Wellesley v. Duke of Beaufort	297, 298
Vane v. Vane	311	Wells, <i>Re</i> , Molony v. Brooke	144
Vansittart v. Vansittart	276, 299	West, <i>Re</i> , George v. Grosse	33
Van Straubenzee, <i>Re</i> , Boustead v. Cooper	71	West v. Shuttleworth	60
Vardon's Trusts, <i>Re</i>	327	West v. Williams	206
Vaughan v. Thomas	60	Wharton v. Earl of Durham	340
Vawdrey v. Simpson	163	Wheeler's Settlement Trust, <i>Re</i>	106
Vernon v. Vernon	374	Whelan v. Palmer	257
Vibart v. Coles	121	Wheldale v. Partridge	377
Vicary v. Evans	86	Whincup v. Hughes	380
Vint v. Padgett	208, 209	Whistler v. Webster	326
		Whitaker v. Barratt	129
W.		Whitaker, <i>Re</i> , Whitaker v. Palmer	136, 137, 139
WAKE v. Conyers	319, 320	White v. City of London Brewery Co.	191, 192
Walker, <i>Re</i> , Summers v. Burrow	66	White, <i>Re</i> , Pennell v. Franklin	108, 246
Walker, <i>Re</i> , Walker v. Walker	84, 87	White, <i>Re</i> , White v. Edmond	429
Wallace v. Greenwood	376	White v. Scoles	229
Waller, <i>Re</i> , White v. Scoles	223	Whiteley, <i>Re</i> , Whiteley v. Learoyd	85
Wallis, <i>Re</i> , <i>Ex parte</i> Lickorish	243	Whiteley v. Edwards	405
Wallis v. Smith	392	Whitham v. Andrew	48, 49
Walrond v. Rosslyn	378	Whittaker v. Howe	280
Walter v. Maude	366	Whitwood Chemical Co. v. Hardman	278, 279, 442
Walters v. Walters	129	Whyte v. Whyte	352
Ward v. Duncombe	105, 106	Widdow's Trusts, <i>Re</i>	429
Ward v. Monaghan	392	Wilcocks v. Wilcocks	355
Ward v. Turner	129	Wilder v. Piggott	332
Ward v. Wood	345	Wiles v. Gresham	93
Waring v. Ward	176	Wilkes v. Wilkes	357
Warren's Settlement, <i>Re</i>	409	Wilkins v. Hogg	107
		Williams, <i>Re</i>	33
		Williams v. Games	316
		Williams v. Jones	141
		Williams v. Williams	226
		Willoughby, <i>Re</i>	297
		Willoughby v. Middleton	326
		Wilson v. Coxwell	123

INDEX OF CASES REFERRED TO.

XXV

	PAGE
Wilson v. Wilson . . .	428
Wilton v. Osborne . . .	234, 253
Winn v. Bull . . .	265
Wise, <i>Re, Ex parte</i> Mercer	41
Witten, <i>Re</i> . . .	302
Wolverhampton Corporation v. Emmons . . .	279, 280
Wood, <i>Re, Ward v. Wood</i> .	345
Wood v. Briant . . .	350
Wood v. Cock . . .	415
Wood v. Rowcliffe . . .	291
Woodward v. Gyles . . .	394
Woollam v. Hearn . . .	273
Worrall v. Jacob . . .	224

	PAGE
Wragg's Trade Mark, <i>Re</i> .	441
Wyman v. Paterson . . .	90

X.

X., <i>Re, X. v. Y.</i> . . .	295
-------------------------------	-----

Y.

YORK, <i>Re, Atkinson v.</i> Powell.	138, 140
York Union Bank v. Artley	198

INDEX OF STATUTES REFERRED TO.

	PAGE
7 Edw. II. c. 9 (Lunatics and Idiots)	311
17 Edw. II. c. 10 (Lunatics and Idiots)	311
27 Henry VIII. c. 10 (Statute of Uses)	29
31 Henry VIII. c. 1 (Partition)	313
32 Henry VIII. c. 32 (Partition)	313
12 Car. II. c. 24 (Guardianship)	294
29 Car. II. c. 3 (Statute of Frauds) .. 33, 182, 264, 266, 399	
13 Eliz. c. 5 (Frauds on Creditors)	38, 42
27 Eliz. c. 4 (Voluntary Conveyances and Trusts) 39, 42, 64, 286	
43 Eliz. c. 4 (Charities)	59
3 Wm. & Mary c. 14 (Fraudulent Devises)	130
8 & 9 Wm. III. c. 11 (Penalties)	387
17 Geo. II. c. 38 (Poor Relief Act)	133
39 & 40 Geo. III. c. 98 (Thellusson Act)	32
9 Geo. IV. c. 14 (Lord Tenterden's Act)	190
1 Wm. IV. c. 40 (Undisposed of Residue)	53
———— c. 46 (Illusory Appointments)	259
———— c. 47 (Liability of Devisee for Debts)	130
3 & 4 Wm. IV. c. 27 (Partition)	313
———— c. 42 (Limitation)	212
———— c. 74 (Fines and Recoveries Act) .. 395, 426	
———— c. 104 (Debts)	130, 131
4 & 5 Wm. IV. c. 40 (Building Society)	133
1 Vict. c. 26 (Wills Act, 1837)	125, 143, 294
2 & 3 Vict. c. 54 (Talfourd's Act)	299
5 & 6 Vict. c. 45 (Copyright)	441
———— c. 69 (Perpetuation of Testimony)	453
8 & 9 Vict. c. 18 (Lands Clauses Act)	362, 375
———— c. 118 (Partition)	312
10 & 11 Vict. c. 96 (Trustee Relief Act, 1847)	110
12 & 13 Vict. c. 7 (Trustee Relief Act, 1849)	110
15 & 16 Vict. c. 76 (Common Law Procedure Act, 1852) .. 388	
17 & 18 Vict. c. 113 (Locke King's Act)	146
———— c. 125 (Common Law Procedure Act, 1854)	
	218, 291, 431
18 & 19 Vict. c. 43 (Infants Settlement Act, 1855) .. 309, 326	
19 & 20 Vict. c. 97 (Mercantile Law Amendment Act, 1856)	
	190, 275

19 & 20 Vict. c. 120 (Leases and Sales of Settled Estates Act)	375
20 & 21 Vict. c. 57 (Malins' Act)	310, 425, 426
————— c. 85 (Divorce Act)	303
21 & 22 Vict. c. 27 (Lord Cairns' Act)	287, 448
22 & 23 Vict. c. 35 (Lord St. Leonard's Act)	70, 77, 107, 110, 115, 119
————— c. 65 (Divorce Amendment Act)	303
23 & 24 Vict. c. 145 (Lord Cranworth's Act)	70
30 & 31 Vict. c. 48 (Sales of Land by Auction)	260
————— c. 69 (Vendor's Lien)	146, 361
————— c. 132 (Trustees' Investments)	77
31 Vict. c. 4 (Sales of Reversionary Interests)	250
31 & 32 Vict. c. 40 (Partition Act, 1868)	314, 315, 375
32 & 33 Vict. c. 46 (Hinde Palmer's Act)	121, 123, 130, 133
————— c. 62 (Debtors Act, 1869)	451
33 & 34 Vict. c. 28 (Solicitors)	243
————— c. 93 (Married Women's Property Act, 1870)	396
34 & 35 Vict. c. 47 (Trustees' Investments)	77
36 Vict. c. 12 (Infants' Custody Act, 1873)	299, 300, 302
36 & 37 Vict. c. 66 (Judicature Act, 1873)	14, 24, 25, 26, 27, 174, 183, 188, 284, 287, 303, 311, 313, 385, 431, 432, 436, 437
37 & 38 Vict. c. 37 (Powers Act, 1874)	259
————— c. 57 (Real Property Limitations Act, 1874)	184, 189, 190
————— c. 78 (Vendor and Purchaser Act, 1874)	187, 205, 289
38 & 39 Vict. c. 77 (Judicature Act, 1875)	27, 134, 311
————— c. 87 (Land Transfer Act, 1875)	205
39 & 40 Vict. c. 17 (Partition Act, 1876)	316, 317
40 & 41 Vict. c. 34 (Vendor's Lien)	146, 361
44 & 45 Vict. c. 41 (Conveyancing Act, 1881)	20, 68, 69, 70, 91, 119, 120, 183, 187, 188, 194, 199, 211, 257, 282, 303, 332, 389, 409
————— c. 44 (Solicitors)	243
45 & 46 Vict. c. 38 (Settled Land Act, 1882)	79, 390
————— c. 39 (Conveyancing Act, 1882)	137, 188, 203, 282, 395
————— c. 45 (Bills of Sale Act, 1882)	172
————— c. 61 (Bills of Exchange Act, 1882)	218
————— c. 75 (Married Women's Property Act, 1882)	52, 136, 331, 332, 398, 405, 413, 414, 418, 427
46 & 47 Vict. c. 49 (Statute Law Revision Act, 1883)	287, 292, 453

	PAGE
46 & 47 Vict. c. 52 (Bankruptcy Act, 1883)	38, 102, 138, 139, 379, 434
————— c. 57 (Patents, Trade Marks, &c.)	440
————— c. 61 (Agricultural Holdings Act, 1883) ..	79
47 & 48 Vict. c. 54 (Yorkshire Registries Act, 1884) ..	204
————— c. 71 (Intestates' Estates Act, 1884) ..	54
49 & 50 Vict. c. 27 (Infants' Guardianship Act, 1886)	295, 296, 297, 299, 301, 302
50 & 51 Vict. c. 73 (Copyhold Act, 1887)	69, 187
51 & 52 Vict. c. 42 (Mortmain Act, 1888)	150
————— c. 43 (County Courts Act, 1888)	197
————— c. 50 (Patents, &c.)	440
————— c. 59 (Trustee Act, 1888) 22, 76, 83, 84, 96, 97, 168	
————— c. 62 (Bankruptcy Preferential Payments) 135, 137	
52 & 53 Vict. c. 32 (Trust Investment Act, 1889)	77
————— c. 49 (Arbitration Act, 1889)	162, 277
53 Vict. c. 5 (Lunacy Act, 1890)	375
53 & 54 Vict. c. 39 (Partnership Act, 1890) 137, 138, 156, 157, 158,	159, 160, 161, 162, 163, 165, 380, 496
————— c. 53 (Companies Winding-up Act, 1890) ..	96
————— c. 71 (Bankruptcy Act, 1890)	139
54 Vict. c. 9 (Custody of Children Act, 1891)	294
54 & 55 Vict. c. 73 (Mortmain Act, 1891)	150, 151, 152
55 & 56 Vict. c. 13 (Conveyancing Act, 1892)	389, 390
————— c. 58 (Accumulations Act, 1892)	32
56 & 57 Vict. c. 21 (Voluntary Conveyances Act, 1893)	39, 42, 69, 262, 286
————— c. 53 (Trustee Act, 1893)	459
Sec. 1	77
Sec. 2	79, 414
Sec. 3	78
Sec. 5	80
Sec. 6	81
Sec. 8	83, 84
Sec. 9	86
Sec. 10	66
Sec. 11	68
Sec. 14	76
Sec. 16	403
Sec. 17	91, 92
Sec. 20	69
Sec. 21	119
Sec. 22	65, 120
Sec. 24	107, 120

XXX INDEX OF STATUTES REFERRED TO.

PAGE

56 & 57 Vict. c. 53 (Trustee Act, 1893) - <i>continued</i>	
Sec. 25	6
Sec. 42	11
Sec. 45	99, 406, 411
Sec. 50	12
———— c. 54 (Statute Law Revision Act, 1893)	30
———— c. 63 (Married Women's Property Act, 1893)	405, 412
———— c. 71 (Sale of Goods Act, 1893)	261, 275, 284, 292
57 & 58 Vict. c. 30 (Finance Act, 1894)	79
———— c. 46 (Copyhold Act, 1894)	69, 187
58 & 59 Vict. c. 25 (Mortgagees' Legal Costs Act, 1895)	133, 244
———— c. 39 (Summary Jurisdiction (Married Women) Act, 1895)	303
59 & 60 Vict. c. 25 (Friendly Societies)	136
———— c. 35 (Judicial Trustees Act, 1896)	67, 95, 113, 305, 491
60 & 61 Vict. c. 65 (Land Transfer Act, 1897)	70, 116, 120, 155, 456
63 & 64 Vict. c. 26 (Land Charges Act, 1900)	133
———— c. 51 (Money-Lenders Act, 1900)	233, 353

EDITIONS OF TEXT-BOOKS REFERRED TO,

OF WHICH MORE THAN ONE EDITION HAS BEEN PUBLISHED.

NOTE.—*The references throughout the work are in all cases to the pages, not to the paragraphs of books.*

NAME OF WORK.	EDITION.	WHEN PUBLISHED.
Anson's Law of Contract	9th ..	1899
Baldwin's Law of Bankruptcy . .	8th ..	1900
Brett's Modern Equity Cases* . .	3rd ..	1896
Daniell's Chancery Practice . . .	6th ..	1882
Elmer's Lunacy Practice	7th ..	1892
Fisher on Mortgages	5th ..	1897
Fry on Specific Performance . . .	3rd ..	1892
Greenwood's Real Property Statutes	2nd ..	1884
Indermaur's Manual of Practice . .	8th ..	1901
Indermaur's Principles of Common Law	9th ..	1901
Lewin on the Law of Trusts . . .	10th ..	1898
Lindley's Law of Companies	5th ..	1890
(Supplement thereto in 1891.)		
Lindley's Law of Partnership . . .	6th ..	1893
Pollock's Digest of the Law of Partnership	7th ..	1900
Prideaux's Conveyancing	18th ..	1900
Smith's Compendium of the Law of Real and Personal Property . . .	6th ..	1884
Smith's Leading Common Law Cases	10th ..	1896
Smith's Manual of Equity	15th ..	1900
Smith's (H. A.) Principles of Equity	2nd ..	1888
Snell's Principles of Equity	12th ..	1898
Stephen's Commentaries on the Laws of England	13th ..	1899
Story's Commentaries on Equity Jurisprudence (English Edition by W. E. Grigsby)	2nd ..	1892
Tristram and Coote's Probate Practice	13th ..	1900

* Since this work was in the Press, a 4th edition of Brett's Modern Equity Cases has been published (1902).

xxxii EDITIONS OF TEXT-BOOKS REFERRED TO.

NAME OF WORK.	EDITION.	WHEN PUBLISHED.
Tudor's Leading Cases on Mercantile Law	3rd . .	1884
Tudor's Leading Conveyancing Cases	4th . .	1898
Underhill's Law of Trusts and Trustees	5th ..	1901
Wharton's Law Lexicon	9th ..	1892
White and Tudor's Leading Cases in Equity	7th ..	1897
Williams on Executors	9th ..	1893
Williams' Principles of the Law of Personal Property	15th ..	1900
Williams' Principles of the Law of Real Property	19th ..	1901

A MANUAL OF THE PRINCIPLES OF EQUITY.

PART I.

THE ORIGIN AND SCOPE OF THE OLD COURT OF CHANCERY, ITS GROWTH, AND ITS MODERN SUBSTITUTE.

CHAPTER I.

THE COURT OF CHANCERY AS IT WAS.

THE origin of the Court of Chancery is, like many other ancient matters, involved in obscurity, but that it was a Court of very high antiquity cannot be doubted. The administration of justice in England was originally vested in the Aula Regis, or great Council of the King, and from it sprang the modern Courts of King's Bench, Common Pleas, and Exchequer. In these Courts there were certain forms of writ issued, and it was necessary that everything in respect of which relief was sought, should come within one of these particular forms of writ. For certain matters, however, no appropriate writ was found, for there were of necessity a variety of particular cases happening which they could not meet. It appears, therefore, that suitors who could not at law find their remedy, applied by bills, or petitions, to the Sovereign, who gave relief as he thought fit; and, as these matters were commonly considered in

The origin of
Chancery.

council, a weight of business accumulated. Accordingly, in the eighth year of Edward I.'s reign, an ordinance was passed by which petitions of this sort were to be referred, according to their nature, to the Chancellor and the Justices, and in matters of grace to the Chancellor. The practice of appeal to the Sovereign to give relief in matters of this kind soon resolved itself into an application to the Chancellor direct, and it seems that his jurisdiction, or rather the jurisdiction of the Court of Chancery, was clearly established in the reign of Richard II., if not before.

The name of the Court.

The name of the Court, Chancery (*Cancellaria*), is therefore clearly derived from that of the presiding officer, Chancellor (*Cancellarius*), a name supposed to have arisen from his cancelling (*a cancellando*) the King's Letters Patent when granted contrary to law, which is the highest point of jurisdiction (*a*).

Two distinct kinds of Courts.

Taking it, then, that the Court of Chancery thus had its birth, there were in existence two distinct kinds of Courts, viz.: 1. The Courts of Common Law, and 2. The Court of Chancery. This latter has been styled a Court of Conscience, and perhaps in some way it merited the name. The object of its existence certainly seems to have been to supply the defects of the Common Law in giving relief where the Common Law could not give relief, or full and perfect, complete and speedy relief. Thus Seldon wrote, rebuking Equity—"For law we have a measure and know what to trust to. Equity is according to the conscience of him that is Chancellor; and, as that is larger or narrower so is Equity. 'Tis all one as if they should

Object of existence of Court of Chancery.

Seldon's remarks on Equity.

make the standard for to measure the Chancellor's foot. What an uncertain measure would this be. One Chancellor has a long foot; another a short foot; a third an indifferent foot. It is the same thing with the Chancellor's conscience." It is of no consequence to us now whether this was, or was not, a true account of Equity as it was, for it certainly is not Equity as it is now, or as it has been for very many years, though no doubt there was much in the early history of the Court of Chancery to justify such ideas. Still, the very origin of Equity was a righteous one, for it was to give relief where none could be obtained at Common Law, and its evils and general looseness arose probably from the fact that the administrators of Equity hardly knew what in fact were their functions in this respect. The Chancellors in those early days were almost universally either ecclesiastics or statesmen, exercising an authority delegated from the Crown as the fountain of administrative justice, whose rights, prerogatives, and duties on this subject were not well defined, and their decrees were practically incapable of being resisted (b).

Reason of
original
defects of
Equity.

This being so, how could anything very good have been expected? Had matters thus continued, the Court of Chancery could never have become the power that it did become, and Equity, as distinguished from Law, would soon have been lost to sight, without indeed being even to memory dear. Gradually, however, the Court of Chancery became settled as a Court not of conscience, but governed by fixed principles. In Lord Ellesmere's time the great power of this Court was shown, for then (c) arose a controversy of considerable heat and violence,

Growth of
Equity.

Dispute
between Lord
Coke and
Lord
Ellesmere.

(b) Story, Chap. I.
(c) James I.'s reign.

upon the point whether the Court of Chancery could give relief against a judgment obtained at Common Law. Hallam tells us (*d*) that the cases reckoned cognizable in Chancery grew silently more and more numerous, and Sir Edward Coke, when he found the Court of Chancery setting aside a judgment at Common Law which had been obtained by fraud, denied and opposed such a power to the extreme. There is no occasion here to go into the details of the war that was waged between Lord Coke and Lord Ellesmere, and it will suffice to say that the matter being referred to the king in person, he decided in Lord Ellesmere's favour. The jurisdiction of Chancery in such a matter was never afterwards disputed.

The evil
repute of
Chancery.

Yet, though the power of Chancery was thus shown to be great, it was an unsatisfactory tribunal; firstly, because of its uncertainties, and, secondly, because of its delays. To show some of the popular ideas about this Court, notwithstanding the beauty of its origin, we need but refer to Cromwell's time, when that assuming body known as Barebone's Parliament, or the Little Parliament, excitedly voted the abolition of the Court of Chancery, a measure Hallam tells us "provoked by its insufferable delay, its engrossing of almost all suits, and the uncertainty of its decisions" (*e*). But the Court was not destined thus to sink out of existence, for with the Earl of Nottingham, who was elevated to the Bench in 1673, a new era was commenced. He has been styled the "father of Equity," for though Lord Bacon had previously given something of a systematic character to the business of the Court, yet the Earl of Nottingham was the real founder of Equity as a system of jurisprudence, instead of its being a Court in which

Real
foundation of
Equity juris-
prudence.

(*d*) Hallam's History of England, Vol. I., 346.

(*e*) Hallam's History of England, Vol. II., 243.

relief was given in most erratic fashion. The Earl of Nottingham presided as Chancellor for nine years, and he, as it were, built up a structure which was afterwards extended, and in generalities almost completed, by Lord Hardwicke during his long period of twenty years' office (*f*). The structure thus formed was perfected by successors in the Court, and the proud edifice of modern Equity, therefore, has but little resemblance to the ancient hut which bore the same name.

These judges have indeed left behind them real traces of their handiwork, a matter which is dealt with in our next chapter on "The Maxims of Equity," maxims which have been laid down from time to time, and form the very foundation of the system. The student cannot pay too much attention to them, for he will find, practically, every important doctrine of the Court depending upon or proceeding from them. A thorough understanding of them is absolutely necessary. But, though forming, as it were, the structure, they are not everything, for various statutes dealing with the jurisdiction of Equity have from time to time been passed. Equity, therefore, has long been a fixed system; a Court in which relief is given on principles as well established as at Common Law; not acting in opposition to the Common Law, but, rather following it as far as possible, yet somewhat tempering its harshness, and giving relief in matters unrecognised by the Common Law, or in which the Common Law powers were defective. The two systems have generally harmonized well. Modern times have, however, brought about a fusion, and the beneficent influence of the doctrines of Equity may be felt throughout the whole of the Supreme Court of Judicature.

Importance of
the Maxims
of Equity.

Equity a
fixed system

(*f*) Story, 34, 35.

What is
Equity?

What, then, is Equity as distinguished from Law? It is certainly not natural justice. To attempt to deal out that kind of justice is too much for our frail humanity. There must always be left a large class of cases to be dealt with in the forum of conscience. Equity may shortly be defined as a portion of justice not originally recognised at Common Law, yet not existing in opposition to it, but rather following it so far as consistent with justice, and administered where the Courts of Common Law could not give all necessary and satisfactory relief. We see thus the Court of Chancery as it was prior to the passing of the Judicature Act, 1873, that is with regard to its powers and general scope.

Definition of
Equity juris-
prudence.

As to divisions
of Equity.

It has been customary for writers on Equity to divide the jurisdiction of the Court in some way, the most usual division being into three heads, viz.:— (1) The exclusive jurisdiction of the Court; (2) The concurrent jurisdiction of the Court; and (3) The auxiliary jurisdiction of the Court—the first head comprising those matters left entirely untouched by Common Law, *e.g.*, Trusts; the second those in which the Common Law only gave some insufficient relief, or in which, though it originally gave no relief, it afterwards acquired such a power by statute, *e.g.*, Fraud, or the granting of Injunctions; and the third where the Court gave a helping hand to Common Law, in fact, assisted it in exercising a jurisdiction which it possessed, *e.g.*, by granting Discovery. Such a division, since the fusion of Law and Equity, is clearly useless, and need only be referred to now as matter of history. We have in these pages aimed at giving a practical division in accordance with matters as they stand at the present time.

CHAPTER II.

THE GENERAL MAXIMS OF EQUITY.

IN the last chapter we have made incidental reference to the Maxims of Equity, and we now proceed to deal with the chief of these in detail.

1.—*Equity will not suffer a right to be without a remedy.*—This is a rule or maxim forming as it were the very foundation of Equity jurisprudence, for the idea of the origin of the Court was the fact of rights being in existence for which there was no power of giving relief at Common Law. The maxim is sometimes expressed :—“There shall be no wrong without a remedy.” The same thing is meant; there shall be no wrong without a remedy for its redress; there shall be no right without a remedy to enforce it. To this maxim we owe our modern doctrine of uses and trusts (g), and in fact, it is the key-note to all cases coming within the old head of the exclusive jurisdiction of the Court. It must, however, be remembered, that in the same way that Equity is not a Court of conscience, and that there are many matters of a moral nature only not within the cognizance of that Court, so this maxim must not be construed in its literal sense, but must be regarded as referring only to rights and wrongs which come within a class of rights or wrongs generally dealt with at Law, although as to the particular right or wrong there was no remedy (h).

1. No right without a remedy.

Limitation of this maxim.

(g) See *post*, pp. 29, 30.

(h) Smith's Manual of Eq., 12, 13.

2. Equity follows the Law.

2.—*Equity follows the Law.*—By this is meant that Equity is not a body of jurisprudence acting in antagonism to Law, but rather the contrary. Equity gave relief in various cases where the Common Law could not, or a different relief to what the Common Law could give, but in so doing it never professed to act in antagonism to Law. It observed the same canons of descent, and generally respected the rules of Law, but where estates and interests coming under its cognizance were of such a nature that they were not recognized at Law, there was then no occasion for Equity to slavishly follow and apply legal rules if it was considered that greater justice could be done by inventing and laying down rules of its own. To thoroughly understand the maxim, therefore, it is necessary to distinguish between legal and equitable estates and interests. With regard to legal estates and interests coming under the cognizance of the Court of Chancery, that Court has always put the same construction upon them as the Courts of Law would have done. Thus, a grant to A and his heirs has always been held to confer a fee simple estate by Equity just as much as at Law. So also statutes have always received the same construction in Equity as at Law, and, however morally unjust it may in particular cases seem, a legal right has always been held to be barred by force of the Statutes of Limitation just as much in Chancery as at Common Law. Yet to construe this maxim “Equity follows the Law” literally would be an absurdity, for it would be as much as to say that Equity is in all respects the same as Law. The difference is that when equitable estates, rights, and interests are involved, Equity does not hesitate, if right and justice so demand, to depart from the strict construction, and put a construction more in accordance with the true intentions of the parties. The real meaning of the maxim is best shown by reference to the doctrine of the Court

with regard to executed and executory trusts—a matter which is hereafter dealt with (i). The true meaning of this maxim would seem to be that Equity is governed by legislative enactments and the rule of law in regard to legal estates, rights, and interests; and that it is regulated by the analogy of such legal estates, rights, and interests, and the legislative enactments and rules of law affecting the same in regard to equitable estates, rights, and interests, where any such analogy plainly subsists, if in each case there are no peculiar circumstances rendering it absolutely necessary to deviate from this rule, or creating an equitable obligation on one of the litigant parties, and an equitable co-relative right in favour of another litigant party, and requiring a different course to be taken in the particular case, without overturning or destroying the general application of any legislative enactments or rules of law that may in terms, or by analogy, apply to the case (k).

True meaning
of this maxim.

3.—*Equity regards the spirit and not the letter.*— This signifies that Equity looks more to the real intent of the parties than to the actual form of the transaction in question. Thus the form of a mortgage is that of an absolute conveyance with a right of redemption on a certain given day, and the construction at law was according to the words used, so that it was necessary that the day named should be strictly observed, otherwise the mortgagor lost his estate. But Equity has always regarded the transaction as being one simply for the securing of money, and has always allowed to the mortgagor his right or equity of redemption, although the day named has gone by (l). So, also, the Court of

3. Equity
regards the
spirit and not
the letter

(i) See *post*, pp. 44, 45; and *Lord Glenorchy v. Bosville*, 2 Wh. & Tu., 763.

(k) Smith's Manual, 14, 15.

(l) See hereon, *post*, p. 173.

Chancery in vey early times gave relief on this same principle against penalties and forfeitures (m).

4.—*Where the Equities are equal the Law prevails.*

5. *Qui prior est tempore potior est jure.*

5.—*Qui prior est tempore potior est jure.*

Comparison of these two maxims.

These two maxims are placed together because, unless the one is considered in connection with the other, they would appear to clash. Equity does not pay any great respect to the mere circumstance of time, and the fifth maxim must be taken as entirely subservient to the fourth, which may be shortly explained thus: When on either side the equitable, or conscientious, rights are equal, then the Court will give the preference to that person who is possessed of the legal estate or title, for he is the person entitled by the rules of law, and as against him the Court will not interfere, for there is no reason why it should; the scale is evenly balanced on the equities, and the Court therefore lets the law weigh the scale down. Thus, suppose that a trustee possessed of the legal estate in property successfully conceals the trust and represents himself as the legal and beneficial owner of the property, and on that footing sells and conveys to a *bonâ fide* purchaser for value, who has no notice whatever of the trust, this purchaser has surely an equal equity with the defrauded *cestui que trust*, and, by reason of possession of the legal estate, prevails over him. Or, again, suppose that A is a trustee for two distinct beneficiaries, B & C. B institutes proceedings

Thornlike v. Hunt.

(m) See hereon, *post*, Part III., Chap. 5; and *Peachey v. Duke of Somerset*, 2 Wh. & Tu., 250; *Sloman v. Walters*, *Id.*, 257.

against A for administration of the trust by the Court, and in this action A is ordered to pay £1000, representing the trust money, into Court. A then wrongfully takes this sum from C's trust money, and complies with the order, and thus B gets his money. Afterwards, C discovers what has been done, but he cannot follow the money and get it back from B, for C's right to follow it is no greater than B's right to retain it, and B's legal title therefore prevails (n). In all cases, however, in which reliance is placed on a legal title, it must be carefully borne in mind that the equities or conscientious rights must be equal, so that notice, actual or constructive, of another's rights, would of course defeat the advantage that would otherwise be gained (o).

Another illustration of the force of the maxim now under consideration is furnished by the doctrine affecting mortgages known as Tacking (p). Under this doctrine, if a first mortgagee, not knowing of a second mortgage created by his mortgagor, makes further advances on the same security, he will have priority over the intervening incumbrancer for these further advances as well as for the amount of his first advance. And so, if a person makes an advance on what he believes to be a second mortgage, but in fact it is a third mortgage, if he can buy up the first mortgage, and get a transfer of the legal estate to himself, he will have entire priority over the intervening incumbrancer. Now, in each of the instances we have given, the respect shown to the possession of the legal estate, or legal title, is plainly visible, and it is also equally plain that this maxim

(n) *Thorndike v. Hunt*, 3 De G. & J., 563; *Taylor v. Blacklock*, 32 Ch. D., 560; 55 L. T., 8. See also *Taylor v. Russell* (1892), A. C., 244; 61 L. J., Ch., 657; 66 L. T., 565.

(o) As to notice, see *post*, pp. 201, 202.

(p) As to which, see *post*, pp. 203-206; and *Marsh v. Lee*, 2 Wh & Tu., 107.

altogether overrides the mere point of priority of time. Certainly, the second mortgagee is prior to the third, but the third mortgagee, having advanced his money without notice of the second mortgage, is allowed to clothe himself with the legal estate by getting in the first mortgage, and then he ousts the second mortgagee, although he may, when he does this, know of his existence.

When the
question of
time is of
importance.

*Re Richards,
Humber v.
Richards.*

But yet the maxim, *Qui prior est tempore potior est jure*, is of importance, applying as it does to cases not involving the ownership of the legal estate or title. Where there are several persons having equal equities—that is equal moral or conscientious rights—and none of them has possession of the legal title or estate, then the question of time governs. Thus, take the case of several equitable charges given on the same property, here, in the absence of any special circumstances, they rank in order of date. A good illustration of the application of this maxim is found in the case of *Re Richards, Humber v. Richards* (q). There R, a solicitor, in 1883, received money from a client for investment, and represented to him that he had invested it upon a certain mortgage. The mortgage, however, was one which R had previously taken in his own name, and it was never transferred to the client. R afterwards deposited the title deeds of the mortgaged property with his bankers to secure his overdrawn account, and paid interest to the client down to the date of the death of the latter in 1885, and subsequently to his executors. R died in 1888, his account being overdrawn to an extent exceeding the value of the mortgaged property, and the bank immediately gave notice of their claim to the mortgagors. The bank

(q) 45 Ch. D., 589; 59 L. J., Ch., 728; 63 L. T., 450. See also *Moore v. North Western Bank* (1891), 2 Ch., 599; 60 L. J., Ch., 627; 64 L. T., 456.

had no notice of the client's claim at the date of the deposit, and their notice to the mortgagors was prior to any notice given by the client's executors. It was held that R was a trustee of the mortgage for his client, and that neither the client, nor his executors, had been guilty of any negligence so as to deprive them of their priority.

But although neither party may have a legal estate or title, and therefore primarily the maxim *Qui prior est tempore potior est jure* will apply, yet if there are any special circumstances it may be otherwise, for there may be fraud, or at any rate negligence, which may prevent the equities, or moral rights, being considered equal. Thus, in the case of *Farrand v. Yorkshire Banking Co. (r)*, the facts were as follows: One Turner advanced £200 to one Prince to enable him to complete the purchase of some copyholds, on security of an agreement that Prince should, as soon as he was admitted to the copyholds, surrender them to Turner as mortgagee, and that Prince would hand the title deeds to Turner's solicitor to prepare the mortgage as soon as he obtained them. Prince completed the purchase, but then, instead of carrying out his agreement, deposited the title deeds with the Yorkshire Banking Company—who had no notice of Turner's rights—to secure certain moneys, and he gave the bank an equitable mortgage. Many years elapsed before the Banking Company received notice of Turner's claim, and it was held that the bank were entitled to priority, for that Turner had been guilty of such negligence in making no enquiry about the title deeds, as to deprive him of the priority he would otherwise have had.

Special
circumstances
defeating
priority.

Farrand v.
Yorkshire
Banking Co.

(r) 40 Ch. D., 182; 58 L. J., Ch., 238; 60 L. T., 669. See also *re Castell & Brown, Limited* (1898) 1 Ch., 315; 67 L. J., Ch., 169; 78 L. T., 109.

Assignment of
choses in
action.

Judicature
Act 1873
sect. 25.

Equitable
assignments.

To entitle a person to claim precedence by force of the maxim, *Qui prior est tempore potior est jure*, it is necessary that he should have done everything he can to complete his position, otherwise he may find that he has not got so good an equity as some other claimant. This is well shown by reference to the assignment of choses in action. Firstly we must notice with regard to them that an absolute assignment, not by way of charge only, will entitle the assignee to sue in his own name provided that the assignment is in writing, and notice in writing is given to the holder of the chose (s). Secondly, it is necessary to observe that, irrespective of this, there may be many good assignments in Equity—what are called equitable assignments—and to constitute such, all that is required, is a definite intention to assign, and a valuable consideration, *e.g.*, an order given by a debtor to his creditor, upon a person having moneys of the debtor's in his hands, directing such person thereout to pay the creditor (t). What is, however, particularly necessary to observe in connection with the maxim under consideration is that with regard to any assignment of a chose in action, and quite irrespective of the further advantage to be gained of the assignee suing in his own name if the assignment comes within the provisions of the Judicature Act 1873 above referred to, it is most important that the assignee should at once give notice to the person in whose hands the outstanding debt or other property constituting the chose in action is. Thus, if A assigns to B a debt owing to him by C, B must at once give C notice of the assignment, otherwise C not knowing of it may pay the debt to A. Or A may subsequently assign the debt to D, who does not know of the prior assignment to B, and at once proceeds to give C notice of his assignment, and thus gains priority

(s) 36 & 37 Vict., c. 66 (Judicature Act 1873) sect. 25.
(t) *Diplock v. Hammond*, 2 De G. M. and G., 320.

over B. Equally would this be so if A was entitled to a share in an estate in the hands of trustees, and assigned the same to B; it is most important that B should at once give notice to the trustees to perfect his title, and complete his rights to the property. If no notice is given the assignee is in a sense guilty of laches, for though certainly by the assignment his rights are complete as against the assignor, he places it in the power of the assignor to deceive other persons who do not know, and have no means of knowing, of the previous dealing with the outstanding property. This doctrine of equity of the necessity of notice in such cases was established by, and is sometimes styled, the rule in *Dearle v. Hall* (u). When the assignee has given notice he has done all he can to complete his assignment, and has acquired a perfect equity and binds the debt, or whatever the chose in action may consist of (w); and this necessity of giving notice to perfect his position applies not only to a particular assignee, but even to a trustee in bankruptcy to whom the property of the debtor passes, so that if he fails to give notice, a subsequent assignee without notice may gain priority by first giving notice (x). It has, however, been held that the doctrine of obtaining priority by notice does not apply as between successive equitable sub-mortgagees of a mortgage of land, and the second sub-mortgagee will gain no priority by being the first to give notice to the original mortgagor (y).

Dearle v. Hall

Hopkins v. Hensworth.

(u) 3 Russ., 1. See Snell's Equity, 70—73. See also as to notice to trustees, *post*, p. 106.

(w) To this there is one exception, viz. : that notice to a debtor who has given a negotiable instrument for his debt, that the debt has been assigned by the creditor, can be disregarded by the debtor (*Bence v. Shearman* (1898)), 2 Ch., 582; 67 L. J., Ch., 513; 78 L. T., 804.

(x) *Re Stone's will*, W. N. (1893), 59; 9 T. L. R., 346.

(y) *Hopkins v. Hensworth* (1898) 2 Ch., 347; 67 L. J., Ch., 526; 78 L. T., 832.

*Bassett v.
Nosworthy.*

The case of *Bassett v. Nosworthy* (z) is sometimes quoted as illustrative of the maxim—*Where the equities are equal the law shall prevail*. It is, however, not strictly so, but is rather an authority to show that, irrespective of the ownership of the legal estate, the Court pays respect to the defence of *bonâ fide* purchaser for value, to the extent that the Court will not give any assistance against a person occupying that position beyond what could be obtained against him at Common Law. In that case a bill was filed by an heir-at-law against a person claiming as purchaser from the devisee under the will of his ancestor, to discover a revocation of the will. The defendant pleaded that he was a purchaser for valuable consideration, *bonâ fide*, without notice of any revocation, and this was held a good plea. Now, if the plaintiff's contention was right, the legal estate was in him and not in the defendant, and all the Court decided was that he must succeed, if at all, by the force of his legal title, and that against such a defendant it would not give a special relief peculiar to Equity—viz., Discovery—in a matter in which it had no concurrent jurisdiction with the Courts of Law. It may be noticed, however, that now that Law and Equity are fused, and discovery is not peculiar to one division of the Court more than to another, the principle of this decision is not fully applicable. Thus, a devisee under a will brought an action of ejectment against the defendant, who was a purchaser from the testator's heir-at-law. The testator was a fee simple owner, and was supposed to have died intestate, and the defendant bought of his heir, and was in possession under that title. The plaintiff now alleged that a will had, subsequently to the sale, been discovered, under which he took the lands. The defendant

*Ind. v.
Emerson*

(z) 2 Wh. & Tu., 150.

pleaded (1) that he was in possession, and (2) that he was a *bonâ fide* purchaser for value; and on this latter ground he resisted the giving of discovery. It was held by the House of Lords that the defendant could not successfully resist discovery, for the action was not like a Bill of Discovery in aid of an action at Common Law, but was really an action of ejectment, and that the discovery being only sought as an incident in an action in which the Court had now, since the Judicature Act, 1873, full jurisdiction, the plaintiff was entitled to it (a).

6.—*Equity looks upon that as done which ought to be done.*—This maxim must not, of course, be taken in the wide and literal sense that Equity acts as a Court of conscience, and makes a person do that which is right. It only means that where a person has incurred an obligation to do something, then the Court looks on it as done, and as producing the same substantial results as if it were actually done. Thus, if land is contracted to be sold, the person contracting is deemed to be in the same position as if he had actually completed the contract by conveying the property, so that were he to die the purchase-money is the thing to be considered, and that goes to his next-of-kin. Again, if a testator by his will directs certain freehold property to be sold, and the proceeds paid to X, who survives the testator, but dies before the property is sold, yet the property, or the proceeds, will go to X's personal representatives. This introduces us to the doctrine of Conversion, a subject which is dealt with hereafter (b).

6. Equity looks on that as done which ought to be done.

(a) *Ind v. Emmerson*, 12 App. Cas., 300; 56 L. J., Ch., 989; 56 L. T., 778.

(b) *Post*, Part III., Chap. 3; and see *Fletcher v. Ashburner*, 1 Wh. & Ta., 327.

7. Equity imputes an intention to fulfil an obligation.

7.—*Equity imputes an intention to fulfil an obligation.*—Equity is a Court established to do right, and it seems, therefore, only natural that it should impute to persons an intention to themselves do what is right. A person is under an obligation to do some act, and he does one which though not exactly of the kind agreed to be done, yet bears much resemblance to it, or which is of such a kind that it may fairly be taken to have been his design to satisfy his obligation by what he has done. Thus, A agrees to buy and settle land; he buys some land and dies without settling it. This will generally be deemed to be an act done by him in performance or part performance of his covenant, and such a presumption is but putting a favourable construction on the acts of others, and taking it that a man will first apply himself to doing what he is bound to do. This is what is known as the doctrine of Performance, and closely allied to it is also the doctrine of Satisfaction, both of which matters are specially dealt with hereafter (c).

8. He who seeks Equity must do Equity.

8.—*He who seeks Equity must do Equity.*—It seems but a natural principle that if a person comes to the Court to obtain what is equitable and fair, the Court should require him to act equitably and fairly himself. This is all that the maxim means. It must be remembered that if a person had legal rights he never had to seek the assistance of Equity, and that what he could get at law he was usually allowed to get, but when he could not succeed there, but had to seek the aid of Equity to obtain what he desired, then surely there was nothing unreasonable in the Court saying to him, "We will give you what you ask, but you must yourself do what is right."

(c) *Post*, Part III., Chap. 2; and see *Lechmere v. Lechmere*, 2 Wh. & Tu., 399; *Blandy v. Widmore*, *Ib.*, 407; *Ex parte Pye*, *Ib.*, 366.

Thus, take the case of a bargain with an expectant heir (*d*). An expectant has borrowed £1,000 on terms that he will pay £2,000 on his father's death. He now comes to the Court to set the transaction aside, and the Court will set it aside, but only on the terms of his repaying the £1,000 with fair interest (*e*). The doctrine of a wife's Equity to a settlement, in the limited form in which it originally existed, provides us with another illustration of the meaning of this maxim, for a husband being obliged to come to the Court of Chancery to get possession of his wife's property, the Court would usually only render him assistance on condition that he made a fair settlement on his wife (*f*).

9.—*He who comes into Equity must come with clean hands.*—This means that the party coming to the Court for its assistance, must not himself have been guilty of wrong conduct with regard to the transaction in question, so that if a person seeks to cancel or set aside some fraudulent deed, and he himself has been guilty of wilful participation in the fraud, the Court will not generally assist him unless the fraud is against public policy, and public policy would be defeated by allowing it to stand (*g*). Thus, where an infant fraudulently misrepresented his age, and got payment of certain moneys from his trustees, it was held that although being an infant at the time of payment, his receipt was not valid and effectual, yet the Court would not render him assistance in his endeavour to make the trustees pay him the amount again (*h*).

9. He who comes into Equity must come with clean hands.

Overton v. Banister.

(*d*) As to which see *post*, Part II., Chap. 6, p. 250-254.

(*e*) See *Earl of Aylesford v. Morris*, 8 Ch. Apps., 484; Brett's Eq. Cas., 69; *post*, p. 253.

(*f*) See *post*, Part III., Chap. 6, and *Lady Elibank v. Montolieu*, 1 Wh. & Tu., 621.

(*g*) Smith's Manual, 20.

(*h*) *Overton v. Banister*, Hare, 503. See also *Newman v. Pinto*, 57 L. T., 31.

o. Equality
s Equity.

10.—*Equality is Equity*, or, in other words, Equity favours a true equality between parties rather than a merely technical one. This is best explained by reference to the leaning of the Court against a joint tenancy, and in favour of a tenancy in common. True, if an estate is simply granted to two or more without other words, they become joint tenants both at law and in equity, for there is no reason why equity should not here follow the law (*i*). But if there are any circumstances which justify the Court in doing so, the Court will depart from the legal rule, and hold them to be tenants in common, considering that to be a truer equality than the equal chance of taking by survivorship. The Court acts thus when property is purchased for some joint undertaking, *e.g.*, as a speculation for building purposes; also in all cases where the purchase-money has been contributed in unequal shares; and also in the case of mortgages, although this last point is now subject to a provision in the Conveyancing Act, 1881 (*k*), to the effect that, unless the money is expressed to be advanced in shares, the surviving mortgagee can, on payment off, give a valid receipt for the mortgage money. This, however, does not alter the fact that, as between themselves, the mortgagees are by force of this maxim tenants in common (*l*).

11. Equity
acts *in*
personam.

11.—*Equity acts in personam*.—The Courts of Law enforced their judgments *in rem*, *e.g.*, by writs of *fi. fa.*, or *elegit*, but the Court of Chancery could always enforce its decrees *in personam*, *e.g.*, by attachment. Equity acts, in fact, directly on the person, a matter which is well shown by the case of *Penn v. Lord Baltimore* (*m*). In that case the

(*i*) *Morley v. Bird*, Lead. C. Convyg., 876.

(*k*) 44 & 45 Vict., c. 41, sec. 61.

(*l*) See hereon *Lake v. Gibson*, *Lake v. Craddock*, 2 Wh. & Tu., 952.

(*m*) 1 Wh. & Tu., 755. See also *Ewing v. Orr-Ewing*, 9 App. Cas., 34; Brett's Eq. Cas., 1.

plaintiff and defendant, being in England, had entered into articles for settling the boundaries of two provinces in America—Pennsylvania and Maryland—and the plaintiff sought specific performance of the articles. The principal objection was that the property was out of the jurisdiction of the Court, but it was held that the plaintiff was entitled to specific performance of the articles; for though the Court had no original jurisdiction on the direct question of the rights as to the boundaries, the property being abroad, yet that did not matter, as the suit was founded on the articles, and the Court acted *in personam*. In this case Lord Hardwicke stated the matter very plainly in the following language:—
 “The strict primary decree in this Court as a Court of Equity is *in personam*, and although the Court cannot in the case of lands situate without the jurisdiction of the Court, issue execution *in rem*, e.g., by *elegit*, still I can enforce the judgment of the Court, which is *in personam*, by process *in personam*, e.g., by attachment of the person, when the person is within the jurisdiction, and also by sequestration, so far as there are goods and lands of the defendant within the jurisdiction of the Court, until he does comply with the judgment of the Court, which is against himself personally to do, or cause to be done, or abstain from doing some act. In accordance with this the Court is in the habit of entertaining actions for accounts of rents and profits, and specific performance, and injunctions, and for foreclosure of mortgages regarding lands situate abroad, provided that the title to lands is not in question.”

*Penn v. Lord
Baltimore.*

12.—*Vigilantibus non dormientibus æquitas subvenit*.—This means that the Court discountenances laches, and, irrespective of the Statutes of Limitation, will refuse to give relief where the party seeking relief has lain by for a long time without attempting

12. *Vigilantibus non dormientibus æquitas subvenit.*

Meaning of
this maxim.

to enforce his rights. It is specially important to understand this maxim properly, otherwise confusion will exist in the reader's mind between its application, and the rules laid down by the Statutes of Limitation. Now, legal rights are governed by the Statutes of Limitation, and proceedings to enforce such legal rights must be taken within the periods laid down by those statutes, and can be taken at any time during such periods; but there must be some guiding rule to regulate equitable rights to which those statutes do not apply, *e.g.*, claims by a *cestui que trust* against his trustee for a fraudulent breach of trust to which he was party or privy (*n*). Again, although a person may have a legal right capable of being enforced at law, yet he may come to Equity to get that better relief which happens there to be given, *e.g.*, he may prefer to come to Equity to get specific performance of a contract, rather than bring his action at law for damages. Now, in all these cases the Court says that the person seeking its special assistance must have been active in his movements; there is no hard and fast rule as to the time within which he must come, all that must depend on the circumstances of each particular case, but if the Court is of opinion that, with his rights before him, he has been guilty of sloth or laches, the Court will refuse to extend to him the assistance which would otherwise be afforded by the general principles of Equity, and will leave him to the remedy (if any) which the rules of law accord to him (*o*).

Laches and
the Statutes of
Limitation.

It will, therefore, be seen that where the rights are matters not governed by the Statutes of Limitation, the maxim now under consideration is the only

(*n*) See 51 & 52 Vict., c. 59 (Trustee Act, 1888), sec. 8, and *post*, pp. 96, 97.

(*o*) See *Nutt v. Easton* (1900), 1 Ch., 29; 69 L. J. Ch., 46; 81 L. T., 530.

guiding principle. When the Statutes of Limitation apply, then in so far as there are legal rights being enforced, the statutes entirely govern; but if there is a special equitable relief sought, then, though the Court is governed by the Statutes of Limitation to the extent that it cannot go beyond them, yet it may stop short of them, and refuse the equitable relief on the ground of laches, although the statutory period has not elapsed. The fact that laches does not affect legal rights and remedies where they are not barred by the Statutes of Limitation, is well shewn in the case of *Re Maddever* (p). That was an action brought by a creditor to set aside a conveyance as being a fraud upon creditors under 13 Eliz., c. 5, ten years after the execution of the deed, and a considerable time after he had known all about it. It was argued that the plaintiff's laches barred his rights, but the Court held that the creditor, having a *legal* right of action which was not barred by the Statutes of Limitation, was entitled to have the deed set aside. But to take now a case in which the Statutes of Limitation have no application, and the maxim is the sole governing principle. Suppose A, who occupies some position of confidence or influence over B, gets B to make a settlement upon him, and then B, after several years, comes to the Court to set it aside, on the ground of constructive fraud. Here, if the position of confidence or influence has ended for some time, and B, without good reason, has thus delayed for a considerable space of time to bring his action, the Court will undoubtedly refuse to assist him (q).

Re Maddever

It has been held that a claim for an ordinary debt against the separate estate of a married woman is not

Claims against a married woman's separate estate.

(p) 27 Ch. D., 523; 53 L. J., Ch., 998; 52 L. T., 35.

(q) *Allcard v. Skinner*, 36 Ch. D., 145; 56 L. J., Ch., 1052; 56 L. T., 61; *post*, pp. 241, 242.

Claims against directors of a company.

in the nature of a merely equitable right only, so as to be governed solely by the principle of laches, and an application of the maxim now under consideration; but that, by analogy, the Statutes of Limitation apply, so as to bar a claim against the woman's separate estate after the statutory period (r). And it has been held that where a liquidator seeks to recover from directors of a company assets improperly applied by them, the directors are entitled to plead the Statutes of Limitation as a defence in any case where trustees could do so under the Trustee Act, 1888 (s).

The maxims of Equity may have to be considered in any division of the Court.

Such, then, are the maxims of Equity, some one or more of which will be found practically underlying every doctrine of Equity. As the student peruses this work, and considers the various doctrines, he should endeavour to connect them with the appropriate maxim or maxims. In conclusion, we ought to point out to the student that, as Common Law and Equity are now fused, the principles embodied in any of these maxims may possibly come into play in any division of the Court. The question is not the division in which relief is being sought, but the principle upon which it is sought, or the nature of the remedy which is desired. It may be that the matter is one involving strict legal rights and legal remedies, and, if so, reference to these maxims of Equity is not necessary; but it may be that equitable principles are involved, or an equitable remedy is sought, and then these maxims must be regarded. It must be remembered also, that where the rules of Law and Equity clash, the rules of Equity prevail (t).

(r) *Re Hastings Estate, Hallett v. Hastings*, 35 Ch. D., 94; 56 L. J., Ch., 631; 57 L. T., 126.

(s) *Re Lands Allotment Company, Limited* (1894), 1 Ch., 616, 63 L. J., Ch., 291; 70 L. T., 286. See further as to laches, *post*, pp. 96, 97.

(t) 36 & 37 Vict., c. 66, sec. 25.

CHAPTER III.

THE CHANCERY DIVISION OF THE HIGH COURT OF JUSTICE.

THE Court of Chancery, as a separate and distinct tribunal, now no longer exists, its modern substitute being the Chancery Division of the High Court of Justice, and it will be well to shortly consider the constitution of that Court, and some of the provisions made by the Judicature Act, 1873 (*u*), which effected the fusion of Law and Equity.

The modern substitute for the old Court of Chancery.

Many steps had been taken prior to the Judicature Act, 1873, towards the fusion of Law and Equity, but complete unison was only accomplished by that Act. The previously existing Courts are now moulded into one, called the Supreme Court of Judicature, consisting of two parts, the High Court of Justice, and His Majesty's Court of Appeal. The High Court is now divided into three sections:—(1) The Chancery Division, (2) the King's Bench Division, and (3) the Probate, Divorce and Admiralty Division; and, in the first of these divisions, are specially meant to be considered and adjudicated upon, all such matters as were formerly specially dealt with in the Court of Chancery. Section 34 of the Judicature Act of 1873 in fact assigns to the exclusive jurisdiction of the Chancery Division the following matters:—

- (1.) All causes and matters pending in the Court of Chancery at the commencement of this Act (1st November, 1875).

Matters now assigned to the exclusive jurisdiction of the Chancery Division.

(2.) All causes and matters to be commenced after the commencement of this Act, under any Act of Parliament by which exclusive jurisdiction in respect to such causes or matters has been given to the Court of Chancery, or to any Judges or Judge thereof respectively, except appeals from County Courts.

(3.) All causes and matters for any of the following purposes :—

The administration of the estates of deceased persons ;

The dissolution of partnerships, or the taking of partnerships or other accounts ;

The redemption or foreclosure of mortgages ;

The raising of portions, or other charges, on land ;

The sale and distribution of the proceeds of property subject to any lien or charge ;

The execution of trusts, charitable or private ;

The rectification or setting aside or cancellation of deeds or other written instruments ;

The specific performance of contracts between vendors and purchasers of real estates, including contracts for leases ;

The partition or sale of real estates ;

The wardship of infants, and the care of infants' estates.

This is an arrangement for convenience

But let it be borne in mind that this is a regulation made for the sake of convenience only, so as to have particular classes of matters dealt with in particular Divisions. To commence an action in the wrong division is not in any way fatal ; it may be retained in that division, or transferred to the right division (*w*),

a very different state of things to what prevailed before the Judicature practice, for then it was fatal to go to the wrong Court. To complete the idea of fusion it was also necessary to go a step further and deal with the conflict that existed in certain cases between the rules of Law and Equity. The Judicature Act, 1873, therefore, provided that in every civil cause or matter commenced in the High Court of Justice, Law and Equity shall be administered concurrently by the High Court and the Court of Appeal, and that these Courts shall recognise and take notice of all equitable estates, titles, and rights, and all equitable duties and liabilities, in the same manner in which the Court of Chancery would formerly have done (*x*). This statute also provided that, in various instances in which there had previously been a conflict between the rules of Law and Equity, the rules of Equity should thenceforth prevail, and there is, in addition to particular instances mentioned in Act, a general provision to that effect (*y*).

The rules of
Equity now
prevail.

In the following pages of this work we have adopted, as will be seen, a division under which we bring before the reader firstly, those matters specially referred to the exclusive jurisdiction of the Chancery Division, by Section 34 of the Judicature Act, 1873, and, secondly, other particular doctrines of Equity.

(*x*) 36 & 37 Vict., c. 66, sec. 24.

(*y*) Sec. 25, as amended by 38 & 39 Vict., c. 77, sec. 10.

PART II.

MATTERS SPECIALLY ASSIGNED TO THE CHANCERY DIVISION OF THE HIGH COURT OF JUSTICE, BY THE JUDICATURE ACT, 1873.

CHAPTER I.

OF TRUSTS.

Definitions of
a trust.

A TRUST is capable of being defined in a double sense, for, firstly, it may be regarded and defined with reference to the position and interest of the *cestui que trust*, and, secondly, with reference to the position of the trustee. Regarded in the first way it may be defined as the beneficial interest in, or ownership of, real or personal property, unconnected with the possessory and legal ownership thereof (z). Regarded in the second way, it may be defined as an obligation under which a person, in whom property is vested, is bound to deal with or to supervise the dealing with the beneficial interest in that property in a particular manner and for a particular purpose, either wholly in favour of another or others, or partially in favour of another or others conjointly with himself (a). The person creating the trust is styled the settlor, the person having the duties to perform, the trustee, and the person for whose benefit it is intended, the *cestui que trust* or beneficiary. Trusts may be created either by act *inter vivos*, or by will, and are divided generally into (1) Express trusts ; (2) Implied trusts ; and (3) Constructive

Division of
trusts.

(z) Smith's Manual, 224.

(a) Underhill's Trusts, I, 2.

trusts. The most important of these three classes of trusts are naturally those properly comprised in the first description, and, in a prefatory way, it is necessary to first consider shortly the history of the modern doctrine of trusts.

Prior to the passing of the Statute of Uses it had for a long time been common to convey lands to uses, for great advantages were gained thereby. Thus, a will could not be made of lands, but it could be made of the use; the land itself was liable to be forfeited for treason, but a mere use was not; the land could not be conveyed to a charity, but the use could; and, bearing these prominent points in mind, it is not to be wondered at, that the greater part of the lands throughout the country were conveyed to uses. The owner of a use in land, therefore, at that time was the beneficiary. Personal property was then, comparatively, of little legal importance, and trusts of personalty need not, therefore, at present, be considered. Now the object and design of the Statute of Uses (*b*) was to put an end to the practice of conveying lands to uses—in other words, to prevent one man holding lands simply for the benefit of another; and that statute attempted to carry out this design by a bare enactment that when one man held lands to the use, trust, or confidence of another, he who had such use, trust, or confidence should be deemed in lawful seisin and possession of the actual estate. It was thought that the natural result would be that the owner of the use or benefit would be thus rendered the absolute owner in every sense. This statute, of course, only applied to real estate, for it was not necessary to legislate as to personalty through its little legal importance, nor, indeed, could there be any objection to one man holding personalty in trust for another, the chief objection

History of the
modern
doctrine of
trusts.

(*b*) 27 Henry VIII., c. 10.

as to land being, indeed, the defrauding the lords of their dues.

The Statute of Uses turned out to be an insufficient enactment. *Tyrrell's case* (c) decided that there could not be a use upon a use, that is to say, that where land was given to A, to the use of B, to the use of C, the statute only executed the first use and no other, so that under this decision, in the instance just given, B would be entitled to the property, although it was manifest that C was the person meant to benefit. It was mainly this decision which really gave rise to our modern idea of trusts, for upon this the Court of Chancery stepped in, and held that, though the owner of the first use did take the legal estate, yet he held it only for the benefit of the person who had the last use, so that in the above instance B would be constituted a trustee for C. This is the true state of the case at the present day. In a certain sense, therefore, it is not altogether inaccurate to state that the effect of the Statute of Uses was simply to cause to be added to every instrument the words "to the use of," for, whereas, before the statute, if A was meant to hold for the benefit of B, A would have been enfeoffed to the use of B, all that was afterwards required to be done was to make the feoffment unto and to the use of A, to the use of B, and the same result was arrived at.

Effect of the
Statute of
Uses.

Practical
explanation.

From what has been stated, it will be gathered that, as a general rule, the owner of the first use has the legal estate; if there is no subsequent use he generally has the beneficial interest also, but if there is a subsequent use, then the person taking that subsequent use is the beneficiary. If there are several uses, the first has the legal estate, and the last has

the beneficial interest, any intermediate ones being simply, as it were, struck out. But, though all this is correct generally, yet it is not always so, for, though land is given to one to the use of another, and therefore primarily it would appear that this latter person has the legal estate, yet if the first person named has an active duty to perform, the legal estate is in him, for the Statute has been always held to be inoperative in such a case. Thus, if land is given to A in trust to collect the rents and hold them to the use of B, here A, having an active duty to perform, has the legal estate, and B the equitable.

There is little to explain with regard to the origin of trusts of personalty. As to these the Statute of Uses has no application, and it is always simply a question of whether property has, in express terms or by necessary implication, been vested in one person to hold for another. If it has, then there is a trust. Trusts of personalty.

All property, real or personal, legal or equitable, at home or abroad, and whether in possession or action, remainder or reversion, or in expectancy, may be made the subject of a trust, unless the policy of the law, or any statutory enactment prohibits the settlor from parting with the beneficial interest in it, or, in the case of real estate, unless the tenure under which it is held is inconsistent with the trust sought to be created (*d*). Thus, though a pension for past services may be aliened, a pension for supporting the grantee in the performance of present or future duties is inalienable (*e*) ; and where, with respect to copyholds, there is in the manor no custom to entail, an equitable estate tail cannot be created by way of ✓
What property may be the subject of a trust.

(*d*) Underhill's Trusts, 39, 40.

(*e*) *Davis v. Duke of Marlborough*, 1 Sw., 74.

The objects of trusts must not be illegal. trust (*f*). The objects of every trust must also be in accordance with law, and must not be contrary to public policy or morality, and must not exceed the rule against perpetuities, or infringe the provisions of the Thellusson Act (*g*).

Definition of an express trust.

Having thus somewhat explained the early position with regard to trusts, and noticed what property may be the subject of a trust, we now give the definition of an express trust as one which is clearly expressed by the author thereof, or may fairly be collected from a written instrument (*h*). The latter part of this definition needs some explanation. It means that where a person has used words ambiguous in themselves, but recommending or desiring a certain thing, then (1) if the subject matter is certain, (2) the object is certain, and (3) upon a construction of the entire instrument the intention appears to have been to use the words in an imperative, and not merely in a discretionary sense, then a binding trust is created which is styled a precatory trust (*i*). The three points above mentioned must be carefully observed, for if one of them is wanting there is no binding trust, and they may be said to be the essentials to every express trust (*k*). The cases on the subject of precatory trusts are numerous, and it is difficult, if not impossible, to reconcile all of them, but there is no doubt that the tendency of modern decisions is against construing precatory words as creating binding trusts, and rather to leave them as a wish or desire and nothing more. Thus, in one case a testatrix gave all her property to her daughter E, and continued: "It is my desire that E allows to G an

Three essentials to constitute a trust.

Precatory trusts.

*Re Diggle,
Gregory v.
Edmondson.*

(*f*) *Allen v. Bewsey*, 7 Ch. D., 466.

(*g*) 39 & 40 Geo. III., c. 98, amended by 55 & 56 Vict., c. 58. See also as to Superstitious Trusts, *post*, pp. 59, 60.

(*h*) *Smith's Manual*, 99.

(*i*) *Underhill's Trusts*, 15, 22.

(*k*) *Knight v. Knight*, 3 Beav., 172.

annuity of £25 for her life, and that G shall, if she desire it, have the use of such portions of my household furniture as may not be required by E." E paid the annuity for several years, and then discontinued it, and on G suing to enforce payment of it, it was held, by the Court of Appeal, that the will did not create a trust or charge in favour of G, but that E took absolutely, subject to a request, which was not obligatory on her (l). In another recent case, a testator gave his estate absolutely to his wife, in the fullest confidence that she would carry out his wishes in the following particulars, viz.: that she would pay the premiums on a £1,000 life policy belonging to herself, and leave by her will the policy moneys, and a certain sum of £300, to his daughter. The Court of Appeal held that no trust was created in favour of the daughter, and they reiterated the principle that, in order to determine whether a precatory trust is created, the whole will must be considered, and unless it appears from the whole will that an obligation was intended, no trust is created (m).

*Re Williams,
Williams v.
Williams.*

To create a trust it is always advisable to have writing, and, in the case of lands (including leaseholds), writing is absolutely necessary by reason of a provision contained in the 7th section of the Statute of Frauds (n); and it has been held that this applies even in the case of lands situated abroad (o). But the Court will not allow a statute to be made the implement of fraud, and it

When writing
necessary to
create a trust.

(l) *Re Diggle, Gregory v. Edmondson*, 39 Ch. D., 253; 59 L. T., 884.

(m) *Re Williams, Williams v. Williams*, (1897) 2 Ch., 12; 66 L. J., Ch., 485; 76 L. T., 600. See also *Re Hamilton, Trench v. Hamilton*, (1895) 2 Ch., 370; 64 L. J., Ch., 365; 72 L. T., 748; *Mussoorie Bank v. Rayner*, L. R., 7 App. Cas., 321; 51 L. J., P. C., 72; *McCormick v. Grogan*, L. R., 4 L., 82; *Re Adams & Kensington Vestry*, 24 Ch. D., 199; 54 L., Ch., 87; 51 L. T., 382.

(n) 29 Car. II., c. 3.

(o) *Rochevoucauld v. Boustead*, (1897) 1 Ch., 196; 66 L. J., Ch., 74; 75 L. T., 502.

Rochevoucauld
v. *Boustead*.

is fraud on the part of a person to whom land is conveyed as a trustee, and who knows it to have been so conveyed, to deny the trust and claim the land. Consequently, notwithstanding the 7th section of the Statute of Frauds, it is competent for a person claiming land conveyed to another, to prove by parol evidence that it was so conveyed on trust, and that the grantee, knowing the facts, is denying the trust (*p*). It will be observed that this enactment does not apply to trusts of purely personal property, and as regards them, therefore, writing is not necessary to enable a trust to be proved. But an assignment of *any* existing trust must, under the 9th section of the Statute of Frauds, always be in writing. This, however, has no application to trusts arising merely by implication or construction of law.

Voluntary
trusts.

Ellison v.
Ellison.

Any trust arising under a will is naturally a voluntary trust, that is, the *cestui que trust* is merely an object of the testator's bounty; but a trust created by act *inter vivos* may be either of a voluntary nature or it may be based on value. With regard to voluntary trusts arising by act *inter vivos*, the principle of the leading case of *Ellison* v. *Ellison* (*q*) must be observed, viz., that such a voluntary trust must, to be binding, be a perfect and complete trust, and that if it is in any way imperfect or incomplete, the settlor can draw back from it, and it cannot be enforced (*r*). This rule applies not only to trusts properly so called, but also to all voluntary assignments and dispositions made otherwise than by will. Any voluntary disposition, therefore, to be binding, must be made in one of the three following ways:

(*p*) *Rochevoucauld* v. *Boustead*, (1897) 1 Ch., 196; 66 L. J., Ch., 74; 75 L. T., 502.

(*q*) 2 Wh. & Tu., 835.

(*r*) See also *Green* v. *Paterson*, 32 Ch. D., 95; 54 L. T., 738.

(1) The donor or settlor must actually transfer the property to the beneficiary, or (2) He must actually transfer it to a trustee for the beneficiary, or (3) He must declare that he himself holds the property in trust for the beneficiary (s). That is to say, there must either be a complete and perfect assignment, or a complete and perfect trust, and nothing remaining to be done to give effect to it. Thus, in one case, a father executed a settlement by which he voluntarily settled certain freeholds by conveying them to trustees in trust for his daughter, and he covenanted to surrender certain copyholds on the same trusts. He died without having ever surrendered the copyholds, and it was held that the settlement was only effectual as regarded the freeholds, for there yet remained something to be done as to the copyholds, viz., surrender and admittance (t). In another case a father, desiring that his daughter should have a certain share in a company, indorsed upon a receipt which he had for his subscription, a memorandum as follows:—"I hereby assign to my daughter all my right, title, and interest," &c., &c. It was held that this was only an imperfect gift, and could not be enforced by the daughter; there was in fact a *locus pœnitentiæ* still existing in the donor until a proper assignment had been made and entered in the books of the company (u). Yet here it may be remarked, that had the father simply declared himself to be a trustee for his daughter, a binding and effectual trust would have been created. In another case, A, being possessed of leasehold property, endorsed on the lease and signed a memorandum as follows:—

*Jefferys v.
Jefferys.*

*Antrobus v.
Smith.*

*Richards v.
Delbridge.*

(s) *Milroy v. Lord*, 4 De G. F. & J., 264.

(t) *Jefferys v. Jefferys*, Cr. & Ph., 138.

(u) *Antrobus v. Smith*, 12 Ves., 39. Compare with this case and distinguish *Griffin v. Griffin*, (1899) 1 Ch., 408; 68 L. J., Ch., 220; 79 L. T., 442, where it was held that the endorsement and delivery of a banker's deposit receipt was a complete gift, although the donee did not get it cashed, or even give notice to the bank before the donor's death.

"This deed and all belonging to it I give to B." It was held that there being no proper assignment of the house to B, and no proper declaration of a trust, there was a *locus pœnitentiæ*, and that B took nothing (*w*).

✓
Irrevocability
of a complete
trust.

*Re Patrick,
Bills v.
Tatham.*

But if a trust or assignment, even though voluntary, is actually completed so that nothing remains to be done to give effect to it, there is then no further *locus pœnitentiæ*, but it is absolutely irrevocable unless a power of revocation is reserved (*x*). It is not always easy to determine whether an assignment is absolutely complete and perfect so that this rule applies. Thus, in one case P by voluntary settlement assigned to trustees certain debts specified in the schedule thereto, owing to him on the security of certain bills of sale in such schedule also specified, and all interest thereon respectively, and he directed the trustees to get in the debts, and empowered them to do whatever was necessary for that purpose. The settlement contained no express assignment of either the bills of sale, or of the chattels comprised in them, and no notice of the assignment of the debts was ever given during P's lifetime to the debtors, and as a consequence they had paid the debts to P, who died without having paid over the amount to the trustees. It was held that the settlement amounted to a complete assignment of the debts, that the fact that notice of the assignment was not given to the debtors did not make the gift incomplete, and that P's estate was liable to account to the trustees of the settlement for the amount of the debts that he had got in (*y*).

(*w*) *Richards v. Delbridge*, L. R., 18 Eq., 11; 43 L. J., Ch., 459; Brett's Eq. Cas., 22.

(*x*) *Henry v. Armstrong*, 18 Ch. D., 668; 44 L. T., 918.

(*y*) *Re Patrick, Bills v. Tatham* (1891), 1 Ch., 82; 60 L. J., Ch., 111; 6 L. T., 752.

What becomes
of any surplus
under such a
trust.

been communicated to him, and he has exercised forbearance by reason of it, or has in some way acquiesced in, or acted under, its provisions. If this is the case, what was originally but a mandate or authority is transformed into a trust, and, like any other complete trust, is binding (a). And where a debtor absolutely assigned his property to trustees upon trust for realization, and to divide the same amongst his creditors in rateable proportions according to the amounts of their respective debts, and the creditors having executed the deed, and the realization having been made, there was a surplus after paying all creditors in full, it was held that the debtor had no right to this surplus, but that the deed constituted a complete and absolute assignment, and that the creditors took the surplus in rateable proportions according to the amounts of their respective debts (b). If, however, a debtor assigns property to trustees upon trust thereout to pay his debts, there is a resulting trust of any surplus to the debtor (c).

Ways in which
a trust is liable
to be defeated.

13 Eliz., c. 5.

Bankruptcy
Act, 1883.

But notwithstanding the direct irrevocability of a trust, the beneficiaries thereunder are liable under certain circumstances to lose their benefits for, firstly, the Statute 13 Eliz., c. 5, provides that all dispositions made for the purpose of hindering, defeating, or defrauding creditors, shall be void unless made *bonâ fide* for good consideration; and, secondly, the Bankruptcy Act, 1883 (d), enacts that if a person who has made a voluntary settlement or disposition

(a) *Garrard v. Lauderdale*, 2 Russ. & My., 451; *John v. James*, 8 Ch. D., 744; Brett's Eq. Cas., 59.

(b) *Smith v. Cooke* (1891), A. C., 297; 60 L. J., Ch., 607; 65 L. T., 1.

(c) *King v. Dennison*, 1 V. & B., 279. See also Underhill's Trusts, 105, 106.

(d) 46 & 47 Vict., c. 52, sec. 47. This enactment only makes the settlement void as against the trustee in the Bankruptcy, and not void altogether, so that if after creditors have received 20s. in the £ there is a surplus of the property comprised in the settlement, that belongs to the trustees of the settlement, for the purposes of the settlement, and not to the settlor (*Re Sims, Ex parte Sheffield*, 45 W. R., 189).

Re Pennington

reason of the provisions of 13 Eliz., c. 5, there is always the possibility of a direct design to defraud having existed, and if this is so the fact of the transaction being for valuable consideration cannot support it. Thus, in one case, an ante-nuptial settlement was set aside under the following circumstances :—The settlor had prior to marriage cohabited with the lady whom he married, and in whose favour he made the settlement. The lady admitted that she did not particularly care for the marriage; that she knew there was a judgment against the settlor, and generally was acquainted with his affairs; and that she married him that he might, through the settlement, have something left for his old age. It was held by the Court of Appeal that the only object of the marriage was, under cover of the relationship of husband and wife, to put the husband's property out of the reach of his creditors, and that the settlement was therefore a fraud upon them, and must be set aside (*k*). In another case an administratrix with the will annexed, who was also the residuary legatee of the testator, whose estate comprised shares not fully paid up in a company, after receiving notice of a call, assigned all the estate, except the shares, to a friend in consideration of covenant to indemnify and provide for her. It was decided that the assignment was void against the company, and that they were entitled to payment of the call out of the property so assigned (*l*).

Re Troughton.

Right of
creditors as
against a
voluntary
settlement.

But beyond direct design to defraud, a merely voluntary settlement is frequently considered in itself necessarily a fraud upon creditors under the 13 Eliz., c. 5, simply on account of its voluntary

(*k*) *Re Pennington*, 5 Morrell's Bankruptcy Cases, 216. See also *Columbine v. Penhall*, 1 Sm. & G., 228.

(*l*) *Re Troughton, Rent & General Collecting & Estate Management Society v. Troughton*, 71 L. T., 427.

*Ex parte
Russell, re
Butterworth.*

of upsetting the settlement (o) ; and (3) Where the settlement was made on the eve of the settlor entering upon some enterprise ; and this exception in fact is almost, if not quite, included in the first, for here there is in the settlor's direct contemplation, possible debts and difficulties, and an intention, should such be the case, to delay and defraud creditors (p). This last exception was forcibly applied in the case of *Ex parte Russell, re Butterworth* (q). There a baker, who had carried on business for some years, being about to purchase a grocery business, which he intended to carry on together with his own trade, executed a voluntary settlement, of nearly the whole of his property, upon his wife and children. He afterwards bought the grocery business, and having lost money by it, sold it, and continued to carry on his baking business, and he became insolvent. It was held that the settlement was void against creditors under the Statute 13 Eliz., c. 5, on the ground that it was evidently executed with the view of putting the settlor's property out of the reach of his creditors, in case he should fail in the speculation on which he was about to enter, viz., the carrying on of a new business of which he knew nothing.

Purchaser
without notice
of settlement
being
fraudulent.

In considering the effect of 13 Eliz., c. 5, on voluntary settlements, it must, however, be noticed that, although a settlement may be fraudulent against creditors, a purchaser for value of the property comprised in the settlement, taking without any notice of its fraudulent nature, is protected (r).

As to effect of
7 Eliz., c. 4.

With regard to the Statute 27 Eliz., c. 4, it is

(o) *Freeman v. Pope*, L. R., 5 Ch., 538 ; 39 L. J., Ch., 689 ; Brett's Eq. Cas., 54.

(p) *Mackay v. Douglas*, L. R., 13 Eq., 106 ; 41 L. J., Ch., 539.

(q) 19 Ch. D., 588 ; 51 L. J., Ch., 521 ; 46 L. T., 113.

(r) 13 Eliz., c. 5, sec. 6. *Halifax Banking Company v. Gledhill* (1891), 1 Ch., 31 ; 60 L. J., Ch., 181 ; 63 L. T., 623.

now of but little importance by reason of the Voluntary Conveyances Act, 1893, which practically repeals it, except as regards sales made prior to 29th June, 1893, but it may still be well to notice that its provisions applied, not only to freeholds and copyholds, but also to leaseholds. This, however, was only true in a limited sense, for it was held that a settlement of leaseholds to which liability to pay rent or perform covenants was attached, was, from the very nature of the property, based on value, for the *cestuis que trustent*, as assignees, took upon themselves the liability to pay the rent, and to perform all covenants which ran with the land (s). It has, however, been held that such value as this is not sufficient to prevent a settlement being considered voluntary, and bad against creditors, under 13 Eliz., c. 5 (t).

Having reference to the fact that the Court will not enforce an executory trust raised *inter vivos*, at the instance of a volunteer, and having regard also to the Statutes just referred to, it is, manifestly, very important to consider whether a trust is one based upon value, or is merely voluntary, and hereon it must be noticed that although a settlement may, as regards certain of the beneficiaries, be one based on value, yet, as regards others, it may be a voluntary settlement. Thus, an ante-nuptial settlement is based on value, viz., the marriage, but a limitation therein in default of issue to a stranger, or even to the settlor's next-of-kin, is ordinarily voluntary, such persons not being considered to be within the scope of the consideration (u). The

Volunteers in
a settlement
based on value

(s) *Price v. Jenkins*, 5 Ch. D., 619; 46 L. J., Ch., 805; *Harris v. Tibb*, 42 Ch. D., 79; 58 L. J., Ch., 434; 60 L. T., 699.

(t) *Re Ridler, Ridler v. Ridler*, 22 Ch. D., 74; 52 L. J., Ch., 343.

(u) *De Mestre v. West* (1891), A. C., 264; 60 L. J., P. C., 66; 64 L. T., 375, over-ruling *Clark v. Wright*, 6 H. & N., 849.

Children by
a former
marriage.

children of a man or woman, whether by a former marriage, or illegitimate, are strictly volunteers, and not within the scope of the marriage consideration (*w*). There are some cases, however, which seem to decide that the children of a widow by her former marriage, for whom provision is made in articles entered into in contemplation of a second marriage, are not volunteers, and can enforce the carrying out of the trust (*x*); but these cases cannot now be considered as binding to that extent, but merely as deciding, on the particular facts, that the interests of the former children were so mixed up with the interests of the possible issue of the contemplated marriage, that they could not well be separated, and on this principle they were treated as being within the marriage consideration, or at least entitled to the benefit of it (*y*).

Trusts
executed and
executory.

An express trust may be either a trust executed, or a trust executory. A trust executed is one which is fully and finally declared by the instrument creating it, one in which the creator of the trust may be said to have been his own conveyancer; but a trust executory is one which, whilst containing an indication or idea of the trust intended, is yet incomplete in its character, and requires some other instrument to perfect it. Thus, if A, by his will gives property to B to hold in trust for C, this is a trust executed; but if it were given in trust to be settled on C for life, and then for his children, this would be a trust executory (*z*). A trust contained in a marriage settlement is invariably an executed trust,

(*w*) *Attorney-General v. Jacobs-Smith* (1895), 2 Q. B., 341; 64 L. J., Q. B., 605; 72 L. T., 714.

(*x*) *Newstead v. Searles*, 1 Atk., 264; *Gale v. Gale*, 6 Ch. D., 144; 36 L. T., 690.

(*y*) *Mackie v. Herbertson*, 9 App. Cas., 303; *Attorney-General v. Jacobs-Smith* (1895), 2 Q. B., 341; 64 L. J., Q. B., 605; 72 L. T., 714.

(*z*) *Re Ballance, Ballance v. Lamphier*, 58 L. J., Ch., 534; 61 L. T., 158.

but one contained in marriage articles is a trust executory, for there is another instrument, viz., the settlement, in the contemplation of the parties, and the articles only contain an indication of what is intended (a). The marriage articles are in fact merely the rough jottings, or heads, of the provisions intended to be formally embodied in the more complete and detailed settlement (b).

The marriage articles.

Apart from the difference in the idea or definitions of trusts executed and executory, there is a wide distinction between the construction placed upon each. The maxim "Equity follows the law," has been already explained (c), and it has been there stated that the true meaning of that maxim is best shown by reference to the doctrines of the Court with regard to this subject. It is now clearly established that Equity will construe limitations in the nature of executed trusts in the same manner as legal limitations, so that, for instance, if an estate is devised to trustees in trust for A for life with an ultimate remainder in trust for the heirs of A's body, here, the trust being an executed one, the rule in *Shelley's* case (d) governs the matter, and A takes an estate tail. But executory trusts must be executed in a more careful and accurate manner, and the Court is not bound to construe technical expressions with legal strictness, but will mould the trusts according to the intent of those who create them (e).

Construction of such trusts.

The great thing in trusts executory is to arrive at the intention of the creator of the trust, for, having arrived at the intention, then the construction is such

Distinction between trusts executory arising in marriage articles, and in wills.

(a) *Lord Glenorchy v. Bosville*, 2 Wh. & Tu., 763.

(b) Brett's Eq. Cas., 37.

(c) *Ante*, p. 8.

(d) L. C. Convvg., 589.

(e) 1 Wh. & Tu., 19; See *Sackville-West v. Viscount Holmesdale*, L. R., 4 H. L., 543; Brett's Eq. Cas., 34.

as will give effect to it. Hence there is often a material distinction to be observed between a trust executory arising in marriage articles, and one arising in a will; for, in the former the intention can be seen from the very nature and well-known design of the instrument, whilst in the latter the intention can only be seen from the words made use of. The design of marriage articles is to benefit the children of the marriage, so that though the limitation therein is to the husband and the heirs of his body, yet he will always take only a life estate; but with the same words in a will, though by trust executory, he would take an estate tail, unless an intention could be gained, from the context, that his interest was to be limited to a life estate only (*f*).

Secret trusts

There may sometimes be an express trust of a secret nature, that is, where a person gives property to one apparently for his benefit, but it is shewn, either by admission or other evidence, that there is some secret document, or secret understanding, by which he is required to hold it in trust for another. But where there is thus an attempt to create a secret trust, it is necessary in the first instance to consider whether the secret trust complies with any statutory requirements there may be upon the subject. Thus, if a testator by his will gives property to A, and dies, and leaves a letter or memorandum, not attested as a will, and of which A knows nothing until after the testator's death, directing A to hold the property in trust for B, here there is no valid secret trust created, for this would be in direct contravention of the provisions of the Wills Act, and A will be permitted to retain the property for his own benefit. But the Court has, from a very early period, decided that even an Act of Parliament shall not be used as

(*f*) See *Blackburn v. Stables*, 2 V. & B., 369; *Magrath v. Morehead*, L. R., 12 Eq., 49; 41 L. J., Ch., 120.

an instrument of fraud, and if in the machinery for effectuating a fraud an Act of Parliament intervenes, a Court of Equity does not, it is true, set aside the Act of Parliament, but it imposes upon the individual who gets a title under the Act, a personal obligation, because he applies the Act as an instrument for accomplishing a fraud (g). Thus, if in the case just put the testator had communicated to A his intention of leaving his property in this way, and A had expressly or impliedly assented thereto, and thus procured the property to be left in this way, he would be compelled to give effect to the secret trust in so far as it was for a lawful object; and in so far even as the object was not lawful, or for any reason could not be effectual, or completely so, yet he would not be permitted to hold the property for his own benefit, but to this extent he would be compelled to hold it for the benefit of the residuary devisee or legatee, or heir-at-law or next-of-kin, as the case might be (h).

An Act of Parliament must not be used as an instrument of fraud.

This subject is well illustrated by the case of *Re Boyes, Boyes v. Carritt* (i). There the testator had bequeathed all his property to Mr. Carritt, who was his solicitor, and who drew the will, and he also appointed him executor. Mr. Carritt admitted that though on the face of the will the whole property was given to him, yet it was quite understood between him and the testator that he should only hold the property as a trustee for certain objects to be thereafter indicated by the testator. Here, therefore, was a clear intention, shewn by extraneous evidence, that the legatee was not to take beneficially. The testator left behind him an unattested letter expressing that Mr. Carritt was to pay over the

*Re Boyes,
Boyes v.
Carritt.*

(g) Per Ld. Westbury in *McCormick v. Grogan*, L. R., 4 H. L., 82.

(h) *Tee v. Ferris*, 2 K. & J., 357.

(i) 26 Ch. D., 531; 53 L. J., Ch., 654; 50 L. T., 581.

Essentials for
a valid secret
trust.

estate when realised to B. The Court held that the trust for B was ineffectual, because that particular trust had not been communicated to Mr. Carritt and accepted by him, and a devisee or legatee cannot by accepting an indefinite trust of this kind enable a testator to make an unattested codicil; but that, notwithstanding this, as Mr. Carritt was clearly meant to be a trustee, he could not retain the property, but must hold in trust for the next-of-kin of the testator. It was laid down that in order to make a secret trust effectual, it is essential that it should be communicated to the devisee or legatee in the testator's lifetime, and that he should accept that particular trust, in which case effect will be given to it; but that a devisee or legatee cannot by accepting a merely indefinite trust practically enable a testator to make an unattested codicil. It will, of course, be observed that in this case if Mr. Carritt had not known that he was not to take beneficially, the letter left by the testator would not have prevented him actually retaining the whole estate for his own benefit had he so desired.

*Re Stead,
Whitham v.
Andrews.*

It may sometimes happen that property is given to two persons, apparently beneficially, but really they are both meant to be trustees, and one of them is guilty of the necessary conduct to constitute a trusteeship, and the other is not. Certain distinctions have here to be drawn. If the property is given to the two as tenants in common, and a communication is made to one only of them of the trust, it is binding on that one only as to his share, and not on the other as to his. And even if the property is given to the two as joint tenants, and such a communication is made, after the will is executed, to one only of them, then equally it is only binding in the same way on that one; but if, it being a gift in joint tenancy, such a communication

that, without anything being said, in the absence of any evidence to show the contrary, B holds as a trustee for A. The reason is simple—it is unnatural to suppose that A paid the purchase-money to benefit B, it is much more likely that he took the conveyance in the name of B for some private reason connected with his own convenience; the Court in fact says there is an unexpressed, but yet under the circumstances, fairly to be presumed, intention that B was meant to hold in trust for A. If, however, in this instance B was the wife or a child of A, or one towards whom he had placed himself in *loco parentis*, and not otherwise provided for, the same line of argument is not applicable, and the Court considers that it was probably meant that B should benefit, and does not primarily raise a trust. This is purely on the point of probable intention.

Parol evidence
to rebut
presumption
of trust.

But though a presumption is in the first place raised by the Court either the one way or the other, yet the ultimate position always turns on evidence, for as such a trust arises merely by presumption, evidence can always be given to rebut it (*p*); and, so also, even if the above-mentioned relationship did exist, evidence can be given to shew that a trust was really intended (*q*). As to what will be sufficient evidence to rebut the presumption of a trust in the case of a purchase in another's name, any declaration made by the person who paid the purchase-money, whether at the time or subsequently, that he intended the person in whose name the conveyance was taken to hold beneficially, will be sufficient (*r*). To rebut the presumption of advancement when the purchase is in the name of a wife or a child, declarations

(*p*) *Groves v. Groves*, 2 Y. & J., 172.

(*q*) *Grey v. Grey*, 2 Swanst., 594; *Marshall v. Cruttwell*, L. R., 20 Eq., 328.

(*r*) *Groves v. Groves*, *supra*.

made by the person who paid the purchase-money, either antecedently to, or contemporaneously with the transaction, can be given in evidence, but not if made subsequently, for to admit such declarations as these would be to allow the party to manufacture evidence for himself (s); but even the subsequent acts and declarations of the wife or child can be received as evidence to rebut the presumption of advancement (t), for they are against the party's interest. So also the circumstances may in themselves tend to rebut the presumption of advancement; for instance, it has been held that the relationship of solicitor and client, existing between the son and the parent, is sufficient for this purpose (u). In one case a father bought 100 shares in a company in the name of his son for the purpose of qualifying him as a director, and thus giving him some employment. The son became a director, and received and kept his remuneration as such, but the dividends on the shares he from time to time paid over to his father, who also kept possession of the share certificates. It was held that the shares were purchased in the son's name merely for the purpose of qualifying him as a director, and that the presumption of advancement was therefore rebutted, and the son was only a trustee of the shares for his father (w).

Circumstances
shewing no
trust intended.

Re Gooch.

A widow is a person standing in such a relation to her child as to raise the presumption of advancement in the case of a purchase in the child's name, for she is under an obligation to maintain her children (x); but it has been held that the presumption of advancement does not arise from the mere purchase by a married woman, out of her separate estate, in the

Purchase by a
mother in
name of child.

(s) *Grey v. Grey*, 2 Swanst., 594.

(t) *Sidmouth v. Sidmouth*, 2 Beav., 455.

(u) *Garrett v. Wilkinson*, 2 D. & S., 244.

(w) *Re Gooch*, *Gooch v. Gooch*, 62 L. T., 384.

(x) *Sayre v. Hughes*, L. R., 5 Eq., 376; 37 L. J., Ch., 401.

name of a child (*y*). The principle of this decision does not appear very sound, and it may, certainly, be doubted whether it would be followed now, as the Married Women's Property Act, 1882 (*z*) makes a married woman's separate estate liable for the maintenance of her children, and there appears therefore to be no good reason for drawing a distinction between the position of a widow and of a married woman (*a*).

Resulting
trusts.

Such a trust as that just under discussion, viz.: where one purchases property in the name of another, besides coming under the heading of an implied trust, is also known as a resulting trust, which may be described or defined, as one in which the equitable interest springs back, or results, to a person other than the legal owner, by force of a probable intention. It is, in fact, an implied trust, for it is founded upon an unexpressed but presumable intention. It may occur in the way already pointed out, and also in cases in which a legal estate is given to another; but the equitable interest is not, or is only partially, or ineffectually, given. Thus, A settles property on B in trust for C, who, it turns out, was dead at the time, and the consequence is that B holds for A. The natural implication of A's desire is that, if the object fails, he shall have his property back again, as if he had never created any trust. This seems a necessary consequence, for who else could take, unless, indeed, it was the trustee himself? But it is an absolute rule that, when a trust is clearly shewn to have been intended, the trustee cannot take any part of the trust property for his own benefit (*b*).

(*y*) *Re De Visme*, 2 De G. J. & S., 17.

(*z*) 45 & 46 Vict., c. 75, sec. 21.

(*a*) See 2 Wh. & Tu., 821-823; Underhill's Trusts, 117, 118.

(*b*) See *Re Boyes*, *Boyes v. Carritt*, 26 Ch. D., 531; 53 L. J., Ch., 654; *ante*, p. 47; *Briggs v. Penney*, 2 Mac. & G., 546.

A resulting trust must not be confused with a Resulting use. resulting use. In a resulting trust it is the beneficial interest which results, whilst in a resulting use it is the legal estate which results. A resulting use arises where a person makes a voluntary conveyance of freehold property without declaring any use with regard to it, and therefore the use, with its accompanying legal estate, results, and the grantor is, in fact, again possessed of the same estate as he was before the execution of the conveyance (c).

Another instance of an implied trust is found in the case of a will containing no residuary bequest. The personalty is vested in the executor, and originally the position was that the executor was allowed to retain it for his own benefit, unless any intention could be gathered that he was to hold as a trustee for the next-of-kin. There was, in fact, a trust or gift implied for the executor's benefit. But this position has been exactly reversed by the Statute 1 Wm. IV., c. 40, which provides that the executor shall stand possessed of any undisposed of residue, in trust for the next-of-kin, unless it shall appear that he was intended to take beneficially (d). The statute does not make the executor an express trustee for the next-of-kin, but an implied or constructive trustee. It, in fact, constructs a trust in favour of the next-of-kin, founded upon an unexpressed, but yet presumable intention; and, not being an express trust, the Statute of Limitations may apply to bar their claims (e). It should, however, be observed that if there are no next-of-kin, the old rule of an implied gift to the executor will prevail, and he will then take it (f).

(c) See Indermaur's Conveyancing, 49, 50.

(d) See *Re West, George v. Grosu* (1900), 1 Ch., 84; 69 L. J., Ch., 71; 81 L. T., 720.

(e) *Re Lacy, Royal General Theatrical Fund Association v. Kydd* (1899), 2 Ch., 149; 68 L. J., Ch., 488; 80 L. T., 706.

(f) *Re Bacon, Camp v. Coe*, 31 Ch. D., 460; 55 L. J., Ch., 368; 54 L. T., 150.

Intestates
Estates Act,
1884.

Care must be taken to distinguish this statement from the position with regard to a trustee in whom property is vested in trust absolutely for a beneficiary, who dies intestate without relatives. In such a case, if the property were personalty, it always went to the Crown as *bonâ vacantia*, and this is still the case (g); but if it were realty, then, as the legal estate was in the trustee, and there was no one living possessing any equitable rights as against him, he held the property freed from the trust. This, however, is no longer so, the Intestates' Estate Act, 1884 (h), having provided that there shall be an escheat to the Crown of equitable, as well as of legal estates.

Huntingdon v.
Huntingdon.

Let us take the well-known case of *Huntingdon v. Huntingdon* (i), as one more instance of an implied trust. There the Countess of Huntingdon had, together with her husband, the Earl of Huntingdon, mortgaged her real estate for his purposes, and, he subsequently paying off the mortgage, the property was reconveyed to him. It was held that, nevertheless, it did not form part of the Earl's property, but that substantially it was still the wife's—in other words, though the Earl was possessed of the legal estate in the property, he held only as trustee for his wife. The Court considers, generally, that, when a wife joins with her husband in mortgaging her property for his benefit, she simply charges her estate as surety for him, and that there is existing between the parties an unexpressed but fairly presumable intention, that the wife is to have her estate back again freed from the mortgage. However, evidence may be given to shew a contrary intention,

(g) *Re Bond, Panes v. Attorney-General* (1901), 1 Ch., 15; 70 L. J., Ch., 12; 82 L. T., 612.

(h) 47 & 48 Vict., c. 71, sec. 4.

(i) 1 Bro. P. C., 1 Toml. Edit.

and it may be, on the special facts of the case, that the wife intended to alter the limitation of the equity of redemption ; but the mere fact that the equity of redemption is, in the mortgage, reserved to the husband, is not sufficient (*k*).

It will be observed that, for the principle just mentioned to apply, the money must have been raised on the property, and applied, for the husband's purposes, but when the husband and wife join in mortgaging the wife's property it is always presumed that this is so unless the contrary can be proved (*l*), as it might be by evidence of declarations or statements of the wife, that it was not so (*m*). Of course, in cases coming within the Married Women's Property Act, 1882, there is now no need for the husband to join in a mortgage by the wife of her property, but the position substantially remains the same, for, if it is shewn that the mortgage was really effected for his purposes, then he will be bound to indemnify her in respect of it. However, although the money is raised to defray debts which are legally the husband's, it does not necessarily follow that the wife is entitled to indemnity, for it must depend upon the circumstances of each particular case, *e.g.*, if the debts were contracted as a result of a mutually extravagant mode of living, no inference of a right to indemnity will be drawn in her favour (*n*).

Presumption
that money
raised for
husband's
purposes.

The most striking instance that can be given of a constructive trust, as contrasted with an implied trust, is found in the case of a profit made by a trustee out of his trust estate. If a trustee, directly

Instance of
constructive
trust.

(*k*) *Huntingdon v. Huntingdon*, 1 Bro., P.C. Toml. Edit.

(*l*) *Kinnoul v. Money*, 3 Swanst., 208.

(*m*) *Clinton v. Hooper*, 1 Ves. Jr., 173.

(*n*) *Paget v. Paget* (1898), 1 Ch., 470 ; 67 L. J., Ch., 266 ; 78 L. T., 306.

*Keech v.
Sandford.*

or indirectly, intentionally or unintentionally, makes a profit, or gains any benefit out of his trust estate, he is held a trustee of such profit. No one can, ordinarily, in such a case suggest that the trustee meant to benefit his *cestui que trust*, so that it is impossible to say that a trust is raised here on the principle of implication of intention; and the fact really is that the Court says it is unjust to let the trustee retain this profit, that it is contrary to fairness, that it would tend to throw temptation in the way of trustees, and, therefore, the Court raises a trust to satisfy the demands and requirements of justice, without reference to any presumable intention. The leading case of *Keech v. Sandford* (o), furnishes us with an extreme instance of this idea. There the lease of Romford Market had been bequeathed to B in trust for an infant. B, before the expiration of the term, applied to the lessor for a renewal of the lease for the benefit of the infant, and this was refused, whereupon B got a lease made to himself, and it was held that B was a trustee of the lease for the infant, and must assign the same to him. The opportunity of getting the lease had been the position of trusteeship, and, indirectly, the trustee did gain an advantage from his trust estate, which, therefore, he was not allowed to reap the benefit of. This rule, that a trustee cannot make any profit or advantage out of his trust estate, applies to many persons who, though not strictly trustees, yet occupy a fiduciary or quasi-fiduciary position, *e.g.*, directors or promoters of a company, agents, or solicitors (p).

Vendor's lien
for purchase-
money.

There are several cases of trust raised by circumstances and not by express words, which are equally trusts, whether regarded in the light of probable intention, or in the light of what is right and just,

(o) 2 Wh. & Tu., 693.

(p) See also *post*, pp. 240-249.

and they are, perhaps, best classified as constructive trusts. The case of *Mackreth v. Symons* (q), dealing with the subject of a vendor's lien for unpaid purchase-money, furnishes us with an instance of a trust of this character. If a man sells his land and does not get paid his purchase-money, or the whole of it, here the purchaser holds as a trustee for the vendor, to the extent of the unpaid purchase-money. It can well be considered that the vendor could not have meant to part with all control over, or interest in, the property without being paid the purchase-money; and, with equal force, it can also be said that it would be unjust to take away all interest in the property from the vendor, until his purchase-money is paid. Whilst on this subject it may be well to observe that such a vendor can uphold and enforce this trust raised in his favour against everyone, except a *bonâ fide* purchaser for value, who has acquired the legal estate in the property, without notice of the purchase-money being unpaid, but not against him, the maxim being that "Where the Equities are equal the law shall prevail." And although a vendor has such a lien, it is always open to the party against whom it is claimed, to show that the vendor has waived or abandoned it, a matter which can be made out either from his express words, or his conduct, which may show that he intended to rely upon some other security, or upon the purchaser's personal credit. The mere fact, however, that the vendor has taken some collateral security, is not of itself sufficient, *e.g.*, his taking a collateral mortgage, bond, or promissory note. But, if it appears that what he has taken was really the actual consideration bargained for, and that it was in fact substituted for the consideration money, then the lien is lost (r).

Mackreth v. Symons.

Against what persons vendor's lien exists.

How lost

(q) 2 Wh. & Tu., 926.

(r) *Buckland v. Pocknell*, 13 Sim., 499.

Doctrine as to
equitable
waste.

The doctrine of the Court with regard to equitable waste (s) may also be referred to as a further example of a trust which may be said to be raised either by force of probable intention, or by reason of the determination of the Court to enforce right and justice. True, the estate is given to the tenant for life without impeachment for waste, but as an estate is given in remainder, it could not have been the intention of the testator, or settlor, to allow the tenant for life to devastate the estate, and a trust is, therefore, raised in the remainderman's favour, founded on the unexpressed, but yet, under the circumstances, fairly to be presumed intention. Neither would it be just or right to allow the tenant for life to devastate the property.

Private, and
public or
charitable
trusts.

In the division of trusts already given, no reference has been made to the sub-division of express trusts into (1) Private or ordinary trusts, and (2) Public or charitable trusts. Both are equally express trusts, and the main object of the sub-division is for the purpose of noting some particular points in which the Court favours the latter. The general rules as to trusts are the same, whether the *cestui que trust* be a private individual, or a charitable body, but whilst this is so, the Court views the latter with a specially favourable eye, and this is the great point to be observed in connection with charitable trusts. Particularly it should be noticed that a charitable trust may be of a permanent and indefinite character as regards time, and is not necessarily confined within the limits prescribed to a settlement by way of private trust; in other words, the rule against perpetuities does not affect charitable trusts (t).

(s) See *Garth v. Cotton*, 2 Wh. & Tu., 970.

(t) Lewin on Trusts, 18.

The old Statute of 43 Eliz., c. 4, enumerates what are to be deemed charitable trusts, but many objects have been held charitable though not strictly within the wording of this Act, as yet being within its general scope. It has been stated that every disposition is charitable which has for its object (1) The relief of the indigent (*u*); (2) The advancement of learning; (3) The maintenance or propagation of the Christian religion, whether according to the doctrines and rites of the Church of England, or those of the Church of Rome, or of any sect or body of Protestant Nonconformists; or (4) The promotion of any other useful public purpose (*w*). It is not, however, always a very simple matter to determine what is and what is not a charitable gift. Thus, it has been held that a legacy to an Anti-vivisection Society, that is a society having for its object the total abolition of the practice of vivisection, was a gift to a charity, on the principle that the society was a lawful association formed with the intention of benefiting the community (*x*); whilst it has also been held that a legacy to the Yacht Racing Association of Great Britain in order to provide for ever an annual cup to encourage the sport of yacht racing, though it might be beneficial to the public, could not be upheld as charitable (*y*).

What are charitable trusts.

Re Foveaux.

Re Nottage.

The subject of superstitious uses and trusts must not be confused with that of charitable trusts. A purely superstitious use or trust is one which has really nothing charitable in its nature, and it is void as being contrary to public policy, *e.g.*, a trust for saying

Superstitious uses and trusts.

(*u*) See *Re Geck, Freund v. Stewart*, 69 L. T., 819, where it was held that a legacy in trust to pay the income for ever to the deserving poor of a parish in a foreign country was good.

(*w*) 2 Pridaux's Convyg., 444.

(*x*) *Re Foveaux, Cross v. London Anti-vivisection Society* (1895), 2 Ch., 501; 64 L. J., Ch., 856; 73 L. T., 202.

(*y*) *Re Nottage, Jones v. Palmer* (1895), 2 Ch., 649; 64 L. J., Ch., 695; 73 L. T., 629.

masses, or requiems, for the souls of the dead (z); and a legacy of this character by a testator domiciled in England is void, although the legatees are resident in a country where such a legacy would be valid (a). And though a gift for the purpose of keeping up a tomb, or building, which is of no public benefit, is not superstitious, neither is it a charitable trust, and it is therefore void as a perpetuity (b), unless expressly confined to the period allowed by law (c). Thus, in a recent case, a testator directed a monument to John Locke to be erected on certain lands of his, and a certain portion of the rents of the lands to be perpetually applied in keeping in order, and taking care of, such monument. It was held the direction to so apply a portion of the rents was void (d). But a trust to repair a church, or a monument in a church, being an ornament of the building, is a good charitable trust (e). In one case (f) a testator bequeathed £500 in trust, to apply such part of the income thereof as might be necessary, in keeping in repair a family vault, and the residue in keeping in repair his brother's tomb, in the parish churchyard, and also the churchyard itself. It was held that the gift, in so far as it related to keeping in repair the family vault and the brother's tomb, not being charitable, was void as a perpetuity, but that so far as it related to keeping the churchyard in repair it was charitable and good, the perpetuity rule not applying to charitable trusts. Where a testatrix devised a house to trustees in fee simple, upon trust to block up certain parts of it for 20 years, and subject thereto

*Parker v.
Lethbridge.*

Re Vaughan.

*Brown v.
Burdett.*

(z) *West v. Shuttleworth*, 2 My. & K., 684.

(a) *Re Elliott, Elliott v. Johnson*, 39 W. R., 297.

(b) *Thompson v. Shakespeare*, 1 D. F. & J., 399; *Lloyd v. Lloyd*, Sim., N. S., 255.

(c) *Pirbright v. Salway*, *Weekly Notes* (1896), 86.

(d) *Re Jones, Parker v. Lethbridge*, 79 L. T., 154.

(e) *Hoare v. Osborne*, L. R., 1 Eq., 585; 35 L. J., Ch., 345.

(f) *Re Vaughan, Vaughan v. Thomas*, 33 Ch. D., 187; 55 L. T., 547.

in trust for A in fee simple, it was held—apparently on the principle of its being in the nature of a superstitious trust—that the trust for blocking up part of the house was void, and that that portion of the house was undisposed of by the will for the term of 20 years from the testatrix's death (g). It does not, however, necessarily follow that every trust not in favour of a human object is void. Thus, in one case a testator devised his real estate in strict settlement, and gave to his trustees certain horses and hounds, and charged his real estate with the payment to his trustees for the term of 50 years, if any of the animals should so long live, of an annual sum to be applied in the maintenance of such animals, and the stables and kennels inhabited by them. It was held, firstly, that this was not a charitable trust, and, therefore, not void under the law of Mortmain, as it then stood, and, secondly, that it was not in the nature of a superstitious trust, but was a good trust, although there might be no person who could enforce it (h).

Trust for animals.

Re Dean, Cooper-Dean v. Stevens.

The Court always regards charitable trusts with special favour, and we have already pointed out that the rule against perpetuities does not apply to them. Another point that should be noticed is what is known as the *cy-près* doctrine, whereby, if a person expresses a general intention with regard to his property, and also directs a particular mode of carrying out the same, which is contrary to law, or for some reason cannot be given effect to, the Court will carry out the intention as nearly as possible, rather than let the gift fail altogether. The Court applies this doctrine to charitable gifts, in that if a testator has created a charitable trust which fails, but has nevertheless shown a general charitable

Favour shown to charities.

Cy-près doctrine.

(g) *Brown v. Burdett*, 21 Ch. D., 667; 52 L. J., Ch., 52; 47 L. T., 94.

(h) *Re Dean, Cooper-Dean v. Stevens*, 41 Ch. D., 552; 60 L. T., 813.

*Biscoe v.
Jackson.*

intention, the idea of the trust will be carried out as nearly as possible, and will not be allowed to fail, as would be the case were a private individual concerned, and not a charity. Thus, in one case a testator directed his trustees to set apart a sum of money out of such portion of his personal estate as might by law be applied for charitable purposes, and to apply it in the establishment of a soup kitchen and cottage hospital for the parish of Shoreditch, in such manner as should not violate the Mortmain Acts. It turned out that it was impossible to apply the fund in accordance with these directions, but the Court of Appeal held that the will showed a general charitable intention to benefit the poor of the parish of Shoreditch, and that, although the particular purpose of the bequest had failed, the Court would execute the trust *cy-près*, and a scheme was directed accordingly (*i*). Cases like this must, however, be carefully distinguished from cases of lapse, in which the doctrine is not applied, for where a legacy is given to a charity which is existing at the date of the will, but ceases to exist before the death of the testator, the legacy fails, in the same way that a legacy to an individual fails if he dies before the testator (*k*).

Re Rymer.

Alteration of
circumstances
by lapse of
time.

The *cy-près* doctrine is also applied to charitable gifts when, from lapse of time, and other circumstances, it is no longer right to carry out the intention of the donor in the exact mode which he has directed. The Court so acts upon the principle that, the circumstances having altered, a rigid adherence to the words would altogether defeat the principal object which the testator had in view, as

*Re Campden
Charities.*

(*i*) *Biscoe v. Jackson*, 35 Ch. D., 460 ; 56 L. J., Ch., 540 ; 56 L. T., 753.

(*k*) *Re Rymer*, *Rymer v. Stansfield* (1895), 1 Ch., 19 ; 64 L. J., Ch., 86.

borne in mind that the Acts relating to Charitable Trusts, 1853-1894, have now relieved the Chancery Division of a part of the duties incident to this jurisdiction, various powers being conferred thereby on the Charity Commissioners, who may enquire into details, settle schemes, appoint and remove trustees, and do many other acts, subject to an appeal to the Court. The discretion of the Charity Commissioners is generally subject to review by the Court, though the Court will not interfere with a scheme settled by them unless they have exceeded their jurisdiction, or the scheme contains something wrong in principle or in law (o).

Position under
27 Eliz., c. 4.

It has been pointed out (p) that a voluntary trust of land was, under 27 Eliz., c. 4, void against a subsequent purchaser for value, but that this is not so now by reason of the Voluntary Conveyances Act, 1893. But even before this Act it was held that a voluntary settlement in favour of a charity was not to be treated as within the meaning of 27 Eliz., c. 4, and was not avoided by a subsequent conveyance for value (q).

(o) *Re Campden Charities*, Brett's Eq. Cas., 44, and notes there pp. 52, 53.

(p) *Ante*, p. 39.


(q) *Ramsey v. Gilchrist* (1892), A. C., 412; 61 L. J., P. C., 66 L. T., 806.

CHAPTER II.

OF TRUSTEES.

IN the creation of express trusts, trustees are almost invariably named by the settlor, and where a power or trust is given to, or vested in, two or more trustees jointly, then, unless the contrary is expressed in the instrument, if any, creating the power or trust, the same may be exercised or performed by the survivor or survivors of them for the time being (r). In implied and constructive trusts, the person having the legal estate, or the possession of the property, is the person who naturally becomes the trustee. It is said that where a valid trust exists “Equity never wants a trustee,” which means that where there is a trust capable of enforcement, the Court will follow the legal estate, and decree the person in whom it is vested to carry out and give effect to the trust (s).

Trustees.


 Equity never wants a trustee.

Where trustees are appointed and they die, or cannot, or will not act, or become incapable of acting, new trustees can be appointed, and this appointment may be effected in either of the following ways:—

Appointment of new trustees.

(1) Under the express provisions contained in the instrument creating the trust, which may indicate the events on which they are to be appointed and the persons who are to appoint.

(2) Under the provisions of the Trustee Act, 1893, by the person nominated for that purpose by the trust instrument, or if there is no such person, by the

(r) Trustee Act, 1893 (56 & 57 Vict., c. 53), sec. 22. This provision, however, only applies to trusts constituted or created by instruments coming into operation after 31st December, 1881.

(s) Smith's Manual, 156.

surviving or continuing trustees, or the personal representatives of the last surviving or continuing trustee (*t*). This appointment may be made: (1) When a trustee is dead, (2) when he remains out of the United Kingdom for more than 12 months (*u*), (3) when he desires to be discharged, (4) when he refuses, or is unfit to act, (5) when he is incapable of acting. On any appointment the number of trustees may be increased, and separate sets of trustees may be appointed for distinct parts of the trust property. It is not obligatory to appoint more than one new trustee where only one trustee was originally appointed, or to fill up the original number of trustees where more than two were originally appointed; but, except where only one trustee was originally appointed, a trustee is not discharged from further obligations unless there will be at least two trustees to perform the trust. The provision relative to appointment by reason of death, includes the case of a person nominated trustee in a will but dying before the testator. Thus, if X and Y are appointed trustees and X predeceases the testator, Y can, after testator's death, appoint a new trustee; but if both died before the testator, or there was but one trustee and he died before the testator, then the provision does not apply (*w*).

Nicholson v. Field.

(3) By order of the Court under the Trustee Act, 1893 (*x*), a course which should not be resorted to if it is practicable to make the appointment in either of the foregoing ways.

Who may be a trustee.

Nearly anyone is technically competent to be a trustee, but although an infant may be appointed he

(*t*) 56 & 57 Vict., c. 53, sec. 10

(*u*) See *Re Walker, Summers v. Barrow* (1901), 1 Ch., 259; 70 L. J., Ch., 229; 49 W. R., 167.

(*w*) *Nicholson v. Field* (1893), 2 Ch., 511; 62 L. J., Ch., 1015; 69 L. T., 299.

(*x*) Sec. 25. See as to the practice hereunder, Indermaur's Manual of Practice, 309, 310.

cannot properly act during his infancy, nor can a person of unsound mind. An alien may be a trustee, but if abroad he would not be subject to the Court's jurisdiction, and, therefore, should not be appointed. A bankrupt, though certainly not a satisfactory trustee, may yet be appointed, and can act, and there is no technical objection to a married woman being a trustee, though it may often not be an expedient appointment by reason of the moral influence her husband may have over her, and the fact that, in some cases, it will be necessary for her husband to join in conveying the trust property (*y*). Corporations can be, and often are, trustees. When an appointment of trustee is sought from the Court, the Court will consider not merely whether the person proposed is capable of being a trustee, but whether the appointment is advisable, and the Court will not usually appoint a *cestui que trust*, or solicitor to a *cestui que trust*, to act as a trustee (*z*). The Judicial Trustee Act, 1896 (*a*), now provides that the Court may appoint a "Judicial Trustee" either jointly with another trustee or alone, who may be an official of the Court, and is always to be subject to the supervision of the Court as an officer thereof, and may be remunerated. The appointing of a Judicial Trustee is a matter entirely in the Court's discretion (*b*), and unless there are some very special circumstances, the Court does not at present seem to be much in favour of making such an appointment.

Judicial
Trustee Act,
1896.

Naturally trustees' powers and duties depend to a great extent on the provisions of the trust instrument, but, apart from that, there are many well

Trustees'
powers and
duties.

(*y*) *Re Harkness & Allsopp* (1896), 2 Ch., 358; 65 L. J., Ch., 726; 74 L. T., 652. See Indermaur's Convey., 63, 64.

(*z*) See Brett's Eq. Cas., 28, 29, and cases there quoted.

(*a*) 59 & 60 Vict., c. 35, sec. 1. See this Act set out in Appendix.

(*b*) *Re Ratcliff* (1898), 2 Ch., 252; 67 L. J., Ch., 562; 78 L. T., 834.

known provisions and rules, and to these our attention must mainly be directed. When a trustee is first appointed he may disclaim the office, and such disclaimer may be by deed, or (except in the case of a married woman, who must disclaim by deed), by conduct tantamount to a disclaimer, and any disclaimer should be made within a reasonable period, having regard to the circumstances of the particular case (*c*). If, however, the trustee does not disclaim, but accepts the trust, he must carry out its duties, and cannot retire except (1) by the special leave of the Court, or (2) by the consent of his *cestuis que trustent* (who, to consent, must all be *sui juris*), or (3) under the provisions of the Trustee Act, 1893 (*d*). The enactments of this Statute, as to the appointment of a new trustee, have already been referred to, and it further provides that where there are more than two trustees, if one by deed declares that he is desirous of being discharged, and if his co-trustees and such other person (if any) as is empowered to appoint trustees consent, then he shall be deemed to have retired, and shall by the deed be discharged, without any new trustee being appointed in his place. With regard to the devolution of trust property on the death of a sole, or sole surviving, trustee, the former rule was that it would pass under his will, either by virtue of an express devise, or even under a general devise without express reference to trust property, unless a contrary intention appeared in the will (*e*). If there were no will, it would go to the trustee's heir, or personal representatives, according to the nature of the property. It was, however, provided by the Conveyancing Act, 1881 (*f*), that in the case of death on, or after 1st January, 1882, of a sole, or sole surviving, trustee,

Retirement of trustees.

Devolution of trust estates.

Provision of Conveyancing Act, 1881.

(*c*) Underhill's Trusts, 135.

(*d*) Sec. 11. This provision applies to trusts created either before or after the commencement of the Act.

(*e*) *Lord Braybrooke v. Inskip*, L. C. Convyg., 986.

(*f*) 44 & 45 Vict., c. 41.

the trust property should go to the personal representatives of the trustee in all cases, and this notwithstanding any testamentary disposition (*g*). This provision, however, no longer applies to copyholds, by reason of the express provision to that effect contained firstly in the Copyhold Act, 1887 (*h*), and now in the Copyhold Act, 1894 (*i*), and therefore as regards copyhold trust property, that will pass to the devisee under the trustee's will, or if there is no will, it will devolve on his customary heir. The effect of these provisions in the Copyhold Acts, 1887 and 1894, has been to entirely repeal the previous provision of the Conveyancing Act, 1881, as regards copyholds, so that if a sole trustee of copyholds died between the commencement of the Conveyancing Act, 1881 (1st January, 1882), and the passing of the Copyhold Act, 1887 (16th September, 1887), the legal estate in the copyholds, which, by virtue of the Conveyancing Act, 1881, had on his death devolved on his personal representatives, was, on the passing of the Copyhold Act, 1887, divested from them, and vested in his customary heir, or devisee. But the validity of any disposition of the property made by the personal representatives before the passing of the Copyhold Act, 1887, would be unaffected by that Act (*k*).

Provision of
Copyhold
Acts, 1887
and 1894.

A trustee has now full power to give proper receipts for all trust moneys and property of every description (*l*). This was not so originally in all cases. The former rule on the subject was laid down in the case of *Elliott v. Merryman* (*m*), and it was, that, where the property was vested in trustees in trust to sell for payment of debts generally, the

Trustees' power to give receipts.

Elliott v. Merryman.

(*g*) 44 & 45 Vict., c. 41, sec. 30.

(*h*) 50 & 51 Vict., c. 73, sec. 45.

(*i*) 57 & 58 Vict., c. 46. This merely repeats the previous provision in the Copyhold Act, 1887. See also as to Mortgages, *post*, p. 181

(*k*) *Re Mills' Trusts*, 37 Ch. D., 312; 57 L. J., Ch., 466.

(*l*) 56 & 57 Vict., c. 53, sec. 20.

(*m*) 2 Wh. & Tu., 896.

trustees' receipts were good discharges, but not when the trust was to raise money for payment of specific amounts, for here any purchaser from the trustees was bound to see to the application of the money. The first enactment altering this position was Lord St. Leonard's Act (*n*), which made the receipts of trustees in all cases sufficient for any purchase or mortgage money. This enactment was followed by a wider one contained in Lord Cranworth's Act (*o*)—now repealed—and the rule now stands, as already stated, by force of the Trustee Act, 1893, which replaces a similar, and now repealed, provision contained in the Conveyancing Act, 1881 (*p*), and applies to all trusts created either before or after the commencement of the Act. It may be mentioned also that, under this same statute (the Trustee Act, 1893 (*q*)), two or more trustees acting together, or a sole acting trustee when authorised to act by himself, can accept a composition, or take security for debts, or submit matters to arbitration, or release, or settle the same. The like power is given to an executor or administrator, and the provision applies to trusts created either before or after the commencement of the Act. It may here be noticed that under the Land Transfer Act, 1897, the personal representative of a person dying on or after 1st January, 1898, is, notwithstanding any testamentary disposition to the contrary, made a trustee of the deceased's real estate other than copyholds; but if there are several personal representatives, one alone cannot sell without the authority of the Court (*r*).

Trustees
compromising,
&c.

Land Transfer
Act, 1897.

(*n*) 22 & 23 Vict., c. 35, sec. 23.

(*o*) 23 & 24 Vict., c. 145, sec. 29.

(*p*) 44 & 45 Vict., c. 41, sec. 36.

(*q*) Sec. 21, in place of former provision in Conveyancing Act, 1881, sec. 37.

(*r*) 60 & 61 Vict., c. 65, secs. 1, 2. See hereon, *Re Pawley & London & Provincial Bank* (1900), 1 Ch., 58; 69 L. J., Ch., 6; 81 L. T., 507; 48 W. R., 107.

There may be certain cases in which it is the duty of trustees to convert the trust property. If trustees are directed to invest certain moneys in the purchase of land, or to sell certain land, and in either case to stand possessed of the property produced by the conversion, for a *cestui que trust*, it is manifestly their duty to carry out these directions as soon as they conveniently can. It must be observed, however, that even before they do so the nature of the property is deemed to be changed by reason of the maxim, "Equity looks on that as done which ought to be done." This is styled the doctrine of conversion, a matter which is dealt with hereafter (s).

Conversion of property by trustees.

But it may be the duty of a trustee to convert property even though there is no direction to that effect. Thus, in the leading case of *Howe v. Earl of Dartmouth* (t), the rule was laid down that where personal property, being either of a wasting nature, or of a kind not yielding a present income, is by will (u) given in trust *as a whole, and not specifically*, for one for life with remainders over, it is to be converted and properly invested, so that thus, for instance, short leaseholds may be preserved for the remainderman, and the tenant for life may gain a benefit from reversionary property. This rule, however, only applies where property is given as a whole, and not specifically, for, when either wasting or reversionary property is given to persons specifically in the strict sense of the word, then there can be no reason for converting it, for there is evidently no intention that it should be converted—the parties must take their chances as to their benefits. And the rule is, of course, not to be applied if in the

Wasting and reversionary property.

Howe v. Earl of Dartmouth.

When rule not acted on.

(s) *Post*, Part III., Ch. 3.

(t) 1 Wh. & Tu., 68.

(u) The rule only applies to dispositions by will (*Re Van Straubenzee, Bousicad v. Cooper*, (1901) 2 Ch., 779; 70 L. J., Ch., 825).

Examples of
rule not being
applied.

Gray v.
Siggers.

instrument there is to be found a sufficient indication of intention that it should not be. Thus an express direction for sale at a particular period, indicates an intention that there should not be any previous sale or conversion, so that an express trust to convert at the death of the tenant for life, will entitle the tenant for life to specific enjoyment (*w*). And where a testator's property consisted of short leaseholds, and was given to trustees in trust to pay the income to his wife for life, and then to his grandchildren, and the testator gave his trustees power to retain any portion of his property in the same state in which it should be at his decease, or to sell and convert the same as they should in their absolute discretion think fit, the Court held that the special power to retain existing investments, took the case out of the general rule as to the conversion of perishable property, and that the trustees were at liberty to retain the short leaseholds for such period as they thought fit (*x*). Instances of an intention that the rule in *Howe v. Earl of Dartmouth* shall not apply might be multiplied, but it would only tend to confusion, and it may safely be stated that it is in many cases by no means an easy point to determine when the rule does, or does not apply (*y*). However, it has been laid down that the rule is to be applied unless upon the fair construction of the will there is a sufficient indication of intention against it, and the burden of proof in every case rests upon the person who says it is not to be applied (*z*).

Right of
tenant for life
before
conversion of
wasting
property.

Where property is given specifically, or there is an indication of the testator's intention that the rule

(*w*) *Alcock v. Slopers*, 2 My. & C., 699.

(*x*) *Gray v. Siggers*, 15 Ch. D., 74; 49 L. J., Ch., 819.

(*y*) See numerous cases quoted and dealt with, 1 Wh. & Tu., 79-86, see also *Re Game, Game v. Young* (1897), 1 Ch., 881; 76 L. T., 450; 45 W. R., 472.

(*z*) *Macdonald v. Irvine*, 8 Ch. D., 101; Brett's Eq. Cas. 132, and Notes.

in *Howe v. Earl of Dartmouth* is not to apply, the tenant for life is entitled to the actual income the property produces. But where the gift is of the whole property, or of a residue, for one for life, and then over, and there is no indication of such intention, and the property is of a wasting nature, or consists of other securities not authorised by the Court, or directed by the testator to be retained, then the tenant for life, even before conversion, is only entitled to an income equal to 3 per cent. (a) on what is subsequently ascertained to have been the then value of the property (b). The case of *Brown v. Gellatly* (c) is the leading authority in connection with this point, and the facts may be usefully referred to. The testator was a shipowner and merchant, and gave his executors and trustees power to realise his estate, when and in such manner as they should think fit, and to sail his ships for the benefit of his estate, until they could be satisfactorily sold, and he gave the residue of his estate to tenants for life, with remainders over, and specified certain securities in which the money might be invested. The trustees sailed the ships and earned large profits, but as to these profits the Court held that the sailing was not particularly for the benefit of the tenants for life, or the remaindermen, but for the benefit of

*Brown v.
Gellatly.*

(a) It was formerly 4 per cent., but 3 per cent. is the rate now (*Rowell v. Bebb* (1900), 2 Ch., 107; 69 L. J., Ch., 562; 82 L. T., 633; 48 W.R., 562.)

(b) *Meyer v. Simmonson*, 4 De G. & Sm., 723. I have considered it best to state this matter as above, and I think that it is correct at the present day. However, in *Underhill's Trusts* (p. 170), a distinction is still drawn between cases in which the property cannot be sold, and cases in which there is an express power to postpone conversion. It is stated that in the former case the interest allowed will be what would have been received if the property had been actually sold, and the proceeds invested in trust securities; and, in the latter case, simply 3 per cent. I would submit, however, that at the present day, having reference to the altered rule of 3 per cent. instead of 4 per cent., such a distinction would not be made. I have treated the rule of 3 per cent., instead of 4 per cent., as universally applicable now, though there may possibly be some doubt on the matter. (See *Gover's Capital and Income*, 100, 111.)

(c) L. R., 2 Ch. App., 751.

the estate generally, and that a value must be set upon the ships as at the death of the testator, and that the tenant for life was entitled to interest at the proper trustees' rate (then 4 per cent., but now 3 per cent.) on such value, and that the residue must be invested and form part of the estate.

Reversions,
&c.

In cases such as *Brown v. Gellatly*, in which the actual income received is more than 3 per cent., the remainderman is the gainer; but the same principle applies for the benefit of the tenant for life where the property is bringing in no income, and is not presently saleable, or realisable, except at an unreasonable loss, *e.g.*, a policy of insurance on a person's life, or a reversion which it is not considered advisable to sell. In such cases the rule is applied in the following way: The amount that is ultimately obtained (*e.g.*, in the case of reversionary interests by their falling into possession) will be apportioned by ascertaining the sum which, put out at interest at 3 per cent. per annum on the day of the testator's death, and accumulated at compound interest calculated at that rate, with yearly rests, and deducting income tax, would, with the accumulations of interest, have produced the amount actually received; and the sum so ascertained should be treated as capital, and the difference between that sum, and the sum received, as income (*d*). The same principle applies where a debt due to the estate is recovered by the trustees without interest (*e*).

Insufficient
mortgage
securities.

With regard to mortgages held by a testator, and which on his death become vested in his trustees, if they come in under a general gift to one for life and then over, and the trustees believe them to be

(*d*) 1 Wh. & Tu., 88; Underhill's Trusts, 177.

(*e*) *Re Duke of Cleveland's Est.*, *Hay v. Woolmer* (1895), 2 Ch., 542; 65 L. J., Ch., 29; 73 L. T., 313.

insufficient securities, then, pending realisation, the income, less 3 per cent., should be treated as capital, and 3 per cent. only as income. Then, if on complete realisation, the securities do prove insufficient, the money realised, plus the income received by the tenant for life, must be divided between the tenant for life and the remainderman, in the proportion of the sums which ought to have been received from income and capital respectively, if there had been no default, the tenant for life giving credit for what he has actually received. Of course, if on realisation there is no deficiency, then the tenant for life gets paid him any balance of the proper interest (*f*).

Whenever trustees sell the trust property they must take care to sell it properly, and generally to use their utmost endeavours to dispose of it to the best advantage. They should select the best place, the best time for selling, and the best person to sell, taking indeed every reasonable precaution, and acting as prudent men would in the management of their own affairs. They should sell under proper conditions of sale, and not on an open contract, for to do that might be to burthen their trust estate with costs which ought not to be thrown upon it; but, at the same time, the conditions must not be too strict, for if they are unnecessarily so, they may tend to frighten away intending purchasers, and seriously injure the sale. They must steer a prudent middle course, and, in so far as they do not, they may be liable for a breach of trust; and it was formerly held that where trustees sold under unnecessarily depreciatory conditions, no purchaser could be compelled to complete his purchase, or could in fact safely complete, for he would be taking

Duties of trustees in selling property.

Depreciatory conditions.

(*f*) *Re Godden, Teague v. Fox* (1893), 1 Ch., 292; 62 L. J., Ch. 469; 68 L. T., 116; *Underhill's Trusts*, 171.

Provision of
Trustee Act,
1893, as to
depreciatory
conditions.

with notice of a breach of trust (g). This matter has, however, now been dealt with by statute, it having been provided (h) that a *cestui que trust* shall not be able to impeach a sale by his trustee, on the ground that any condition of sale was unnecessarily depreciatory, unless the consideration for the sale was thereby rendered inadequate. It is also provided that after execution of the conveyance, no sale by a trustee shall be impeached against the purchaser on the ground of any condition of sale being unnecessarily depreciatory, unless such purchaser was acting in collusion with the trustee when the contract for sale was made; and in any event, also, no purchaser on any sale by a trustee, can himself make any objection to the title, upon the ground of the conditions having been depreciatory. The effect of this provision is, that a trustee will still be liable for any actual loss caused by improper conditions, and that in such event, before completion, the sale can be set aside; but that if it is completed, the purchaser is safe in his purchase, if he has not colluded with the trustee, and in no event can he himself raise the objection of the sale having been made under depreciatory conditions.

Effect of
provision of
the Trustee
Act, 1893.

Trustees'
duties as
regards
investments.

Trustees must take great care that the trust property is properly and satisfactorily invested, and if it is not, they should at once convert it, and effect a proper and satisfactory investment unless, indeed, the investments are specially allowed by the trust instrument to be retained. But trustees are not bound to sacrifice property by an immediate sale where there appears to be a prospect of improvement if they wait, for they are entitled to exercise a

(g) *Dunn v. Flood*, 28 Ch. D., 586; 54 L. J., Ch., 370.

(h) Trustee Act, 1893, sec. 14, in substitution for the now repealed provision of the Trustee Act, 1888 (51 & 52 Vict., c. 59), sec. 3. This applies to all sales made after 24th December, 1888.

reasonable discretion. There is no rule that trustees commit a breach of trust if they retain authorised securities in a falling market, when they honestly believe that that is the best course for all parties; the question is, what was best to be done at the time, and they must show that they had reasonable grounds for their conduct (*i*). Trustees also must keep the muniments of title, and all securities representing the trust fund, under their own control, and so that they cannot be got at without the consent of all of them, as, for instance, by depositing them at a bank, or in a safe to which access can only be obtained by them collectively. However, circumstances may render a departure from this strict course of procedure not unreasonable, so that where trustees had invested on mortgage of a freehold building estate in course of development, which necessitated frequent reference to the deeds by the trustees or their solicitors, it was held that it was not improper, or unreasonable, to allow the deeds to remain in the possession of their solicitor (*k*).

Trustees' duties as regards muniments of title, &c.

The subject of trustees' investments is dealt with by the Trustee Act, 1893 (*l*), which repeals prior similar provisions in the Trust Investment Act, 1889 (*m*). The Statute summarizes the whole matter, and applies to trusts created before as well as to those created since its passing, and is in addition to any powers that may be conferred by the trust instrument (*n*). The Trustee Act, 1893, is set out in the Appendix at the end of this work, and the student

Trustees' statutory powers of investment

(*i*) *Re Chapman, Cocks v. Chapman* (1896), 2 Ch., 763; 65 L. J., Ch., 892; 75 L. T., 196.

(*k*) *Field v. Field* (1894), 1 Ch., 425; 63 L. J., Ch., 233; 69 L. T., 826.

(*l*) 56 & 57 Vict., c. 53, sec. 1.

(*m*) 52 & 53 Vict., c. 32. Prior to this Act the subject was governed by the following statutes, viz., 22 & 23 Vict., c. 35, sec. 32; 30 & 31 Vict. c. 132; 34 & 35 Vict., c. 47.

(*n*) Sec. 4.

is specially referred to the details of what investments trustees may make in the absence of any express provisions, and provided they are not forbidden to invest in any of them by the trust instrument. The following may be mentioned as some of the chief investments which this statute prescribes:—Parliamentary stocks or public funds, or Government securities of the United Kingdom; real securities in Great Britain or Ireland; stock of the Bank of England or Ireland; India stock; any securities the interest of which is guaranteed by Parliament; Metropolitan Board of Works or London County Council stock; debentures or preference stock of any railway company in Great Britain or Ireland incorporated by special Act of Parliament, and having during each of the 10 years last past before the date of investment, paid a dividend of not less than 3 per cent. on its ordinary stock; certain canal and water companies' stock; certain stock of Indian railway companies; stock issued by the corporation of any municipal borough having according to the returns of the last census prior to the date of investment a population exceeding fifty thousand, or by any county council under the authority of any Act of Parliament or Provisional Order; and, finally, in any stocks, funds, or securities for the time being authorised for the investment of cash under the control or subject to the order of the Court. As to the investment of cash under the control of the Court, this is provided for by Order of Court (o), the details of which are very similar to the other general investments under the Trustee Act, 1893, and it would only tend to confusion to set it out here.

Investment of
cash in Court.

creation in
investments.

It is enacted by the Trustee Act. 1893 (p), that

(o) Order XXII., rules 17, 17a, as amended by R. S. C., Oct. 1899.
See Indermaur's Manual of Practice, 272, 273.

(p) 56 & 57 Vict., c. 53, sec. 3.

every power of investment conferred by the Act shall be exercised according to the discretion of the trustees, but subject to any consent required by the instrument (if any) creating the trust, with respect to the investment of the trust funds. It is also specially provided that trustees may invest in any of the securities specified in the Act notwithstanding the same may be redeemable, and that the price exceeds the redemption value, subject however to this, that a trustee may not purchase at a price exceeding its redemption value, any railway debentures or stock, debentures, or preference stock of a company formed for the supply of water, or stock issued by the corporation of a municipal borough, if it is liable to be redeemed within 15 years of the date of purchase at par or at some other fixed rate, or if it is liable to be redeemed at par or at some other fixed rate, at a price exceeding 15 per cent. above par or such other fixed rate. A trustee is also allowed to retain until redemption any redeemable stock, fund, or security which may have been purchased in accordance with the powers of the Act (g).

Purchase at a premium of redeemable stocks.

In addition to the above-mentioned investments, it must be borne in mind that with regard to capital money under the Settled Land Act, 1882 (r), that statute prescribes also certain exceptional securities, viz.: debentures and debenture stock of any railway company in Great Britain or Ireland incorporated by Act of Parliament and having for 10 years next before the date of investment paid a dividend on its ordinary stock or shares; the discharge of any incumbrance on the settled land; the payment for

Investment of capital money under the Settled Land Act, 1882.

(g) 56 & 57 Vict., c. 53, sec. 2.

(r) 45 & 46 Vict., c. 38, sec. 21. See also 46 & 47 Vict., c. 61, sec. 29, and 57 & 58 Vict., c. 30, sec. 96. Generally as to investments under S. L. A., 1882, see notes to sec. 21 in Hood & Challis' Convyg. & Settled Land Acts.

any improvements authorised by the Act; the purchase of the seignory or reversion of the settled estate; and the purchase of fee simple lands, or leaseholds if not less than 60 years yet to run.

Special powers
of investment.

The scope of investments for trustees is now therefore a fairly wide one, but, in addition, the trust instrument itself frequently prescribes the investments the trustees may make, and then, if acting *bonâ fide*, they are safe if they invest in accordance with it. And it is specially provided that if they have power given them to invest on real securities, they may, unless expressly forbidden so to do by the trust instrument, invest on mortgage of property held for an unexpired term of not less than 200 years, and not subject to a reservation of rent greater than 1s. a year, or to any right of redemption, or to any condition of re-entry except for non-payment of rent; and also on any charge, or upon mortgage of any charge made under the Improvement of Land Act, 1864. It is also provided that trustees having power to invest in the mortgages or bonds of any company may, unless the contrary is expressed in the instrument authorising the investment, invest in the debenture stock of the company (s).

Exercise by
trustees of
discretion as to
investments.

Trustees must, in the exercise of any discretion with regard to investments, act reasonably and prudently, so that if they have a discretion to invest in certain specific investments, comprising good and bad securities, and they choose a bad security, then they will be liable upon the ground that a prudent man would not have invested his own money in such a security. They cannot safely invest on second mortgage, but as regards property subject to a drainage or other rent charge under the Public Money Drainage

Acts, 1846 to 1856, or the Improvement of Land Act, 1864, they may invest on that, notwithstanding such charge, unless the terms of the trust instrument expressly provide the contrary (*t*). Trustees are not justified in investing on personal security, unless it is expressly provided that they may do so, nor in anything of a manifestly, or probably, risky nature (*u*). They are not, indeed, even in cases in which they have an absolute discretion given them, justified in doing just as they choose, and the opinion has been expressed that in such cases the discretion of the trustees is limited to a discretion as to which of the several forms of security authorised by law they shall invest in, and does not give them power to invest in securities not so authorised (*w*). Although, however, no doubt it would be wisest for trustees to act on this view of the question, yet it would seem that a discretion of a perfectly general nature means more than this (*x*), and probably the more correct rule is, that where trustees have an absolute discretion, then, if they exercise that discretion fairly and honestly, and make reasonable investments—though not strictly trustees' investments—they will not be held liable, but that if they act with imprudence, making rash and hazardous investments, then they will be liable (*y*).

But where trustees have a discretion they must take care to act with complete honesty in its exercise. If, however, there are two trustees, and one only is guilty of conduct which is not honest or right, and

Necessity of trustees exercising discretion honestly.

(*t*) 56 & 57 Vict., c. 53, sec. 6.

(*u*) *Potts v. Britton*, L. R., 11 Eq., 433; *Bethell v. Abraham*, L. R., 17 Eq., 24.

(*w*) See Underhill's Trusts, 207.

(*x*) *Re Smith, Smith v. Thompson* (1896), 1 Ch., 71; 65 L. J., Ch., 159; 73 L. T., 604.

(*y*) See *Re Brown, Brown v. Brown*, 29 Ch. D., 889; 54 L. J., Ch., 1134; 52 L. T., 853.

*Smith v.
Thompson.*

the other has in no way participated, but is completely ignorant, then he will not be liable. Thus in one case two trustees, A and B, having power to invest in such securities as they thought fit, invested £3,000 in certain debentures of a company. A was the person actively concerned in making the investment, and he received a commission of £300 in respect of the investment. B simply concurred in making the investment, and knew nothing of the commission paid to A. It was held that A was liable in respect of the investment, for he had not acted honestly, and that he must make good all loss accruing to the estate in respect of it, and also recoup the £300 he had received, but that B was under no liability (z).

Former
position as to
investing on
mortgage.

With regard to investments on mortgage, the strict rule was formerly that trustees should not advance more than two-thirds of the value of freehold land, or more than one-half of the value of freehold houses. But this was not a hard and fast rule, and was not enforceable with exact strictness, the true test of liability being really whether the trustees had acted as prudent men would have acted if dealing with their own property (a); and if they had failed in prudence, and neglected any due precautions, then they might find themselves liable. Thus, where trustees employed a surveyor who was ignorant of the locality, they were held not to have acted prudently, and to be liable (b). The Trustee Act, 1893 (c), however, makes definite provisions on the subject of advances by trustees on property of any tenure, whether agricultural, or house, or other

(z) *Re Smith, Smith v. Thompson* (1896), 1 Ch., 71; 65 L. J., Ch., 159; 73 L.T., 604.

(a) *Re Godfrey, Godfrey v. Faulkner*, 23 Ch. D., 483; 52 L. J., Ch., 820; 48 L. T., 853.

(b) *Budge v. Gummow*, L. R., 7 Ch. Apps., 719; 41 L. J., Ch., 520.

(c) 56 & 57 Vict., c. 53.

property on which trustees may lawfully lend. It is provided by that statute (*d*) that no trustee lending money on security of any property is to be chargeable with breach of trust, by reason only of the proportion borne by the amount of the loan to the value of the property at the time when the loan was made, provided that it appears to the Court that the trustee was acting upon a report as to the value of the property made by a person whom he reasonably believed to be an able practical surveyor, or valuer, instructed or employed independently of any owner of the property, whether such surveyor carried on business where the property was situate or elsewhere; and provided also that the loan did not exceed two-thirds of the value of the property as stated in such report, and that the loan was made under the advice of such surveyor, or valuer, expressed in such report.

Provisions of
Trustee Act,
1893, as to
mortgage
investments.

A trustee must, in purchasing, or investing on mortgage, see that he gets a good title. With regard, however, to this point, it is enacted by the Trustee Act, 1893, that no trustee lending money on leasehold property is to be chargeable with breach of trust, for dispensing either wholly or partially with the production or investigation of the lessor's title, and further, that it is not to be deemed a breach of trust, in buying or lending money on property, to accept a shorter title than a purchaser or mortgagee is by law entitled to in the absence of a special contract, provided that the Court thinks that a person acting with prudence and caution would have accepted the same title. These provisions apply to the transfers of securities existing at the time of the passing of the Act, and to investments made as well

What title a
trustee may
take.

(*d*) 56 & 57 Vict, c. 53, sec. 8, which is in substitution for the similar, but now repealed, provision of the Trustee Act, 1888 (sec. 4).

before, as after the Act, except where legal proceedings were pending with regard to any particular transaction on the 24th December, 1888 (*e*).

Prudence must be always observed.

The surveyor's report.

Trustees must themselves select the surveyor.

But this Act leaves untouched the general guiding principle that trustees must act with prudence, and has only laid down the rule that certain things shall not be deemed imprudent. It will be observed that, under the provision just referred to, two-thirds of the value of the property may now in all cases be advanced, whether such property consists of land or of houses, and that the surveyor, or valuer, need not necessarily be a local man. As to the report of the surveyor, or valuer, it must state the value of the property, and advise that an advance may be made, but it need not say how much should be advanced, for the Act itself deals with that point and says two-thirds. A trustee is not entitled to the protection afforded by the Trustee Act, 1893, unless the report or valuation upon which he acted in making the investment was made upon his own instructions, and directed to the particular investment, so that he must not leave the selection of the surveyor to his solicitors, though, of course, they may introduce him to a surveyor, or advise him as to the selection. Thus, where trustees instructed their solicitors to find a thoroughly good mortgage security, and the solicitors had at the time in their hands a report of certain surveyors and valuers, which had been made to another client of theirs, with respect to a number of houses, including two on which they, on the faith of the report, advanced the trust money, and there was a loss, they were held liable (*f*).

(*e*) 56 & 57 Vict., c. 53, sec. 8, being in substitution for the now repealed provision of the Trustee Act, 1888 (sec. 4).

(*f*) *Re Walker, Walker v. Walker*, 59 L. J., Ch., 386; 62 L. T., 449. See also *Fry v. Tapson*, 28 Ch. D., 268; 54 L. J., Ch., 224; 51 L. T., 326.

Assume that trustees act strictly in accordance with the provisions of the Trustee Act, 1893, yet they may be held to be liable, for there may be imprudence in other respects. Thus it has been laid down that trustees are practically never justified in investing on mortgage of property not at the time producing income, and, that if they do, it is at their own risk (g); and where property has, through a business carried on there, some special value, trustees should act upon the value of the property apart from the circumstances which regulate its business value (h). The Court of Appeal also, in the case of *Re Whiteley, Whiteley v. Learoyd* (i), laid down several points in connection with the subject of trustees' mortgage investments in an extremely clear manner. The facts in that case were that trustees, having power to invest in real securities, in the year 1877 advanced £3,000 on mortgage of freehold brickworks, having, before lending the money, employed a valuer who estimated the property as a going concern to be a good security for more than the advance, the details of his valuation being—land worth £2,000, buildings £2,400, and plant £2,600. The mortgagor became a bankrupt, and the security proved insufficient, and the trustees were held liable for the deficiency. The Court laid down that a trustee's duties in making investments are:

(1) To choose only those investments which come within the terms of his trust; (2) In selecting one of those investments, to use the care and caution which an ordinarily prudent man would exercise in the business of investing money for the benefit of persons entitled to enjoy it at some future time, and

How trustees may still be liable, notwithstanding the Trustee Act, 1893.

Re Whiteley, Whiteley v. Learoyd.

Trustees' duties in making investments.

(g) *Hoey v. Green*, W. N., 1884, p. 236; see also *Smethurst v. Hastings*, 30 Ch. D., 490; 33 W. R., 496; 52 L. T., 567.

(h) *Partington v. Allen*, 57 L. T., 654.

(i) 33 Ch. D., 347; 55 L. J., Ch., 864; 55 L. T., 564. Affirmed in House of Lords, *sub. nom. Learoyd v. Whiteley*, 12 App. Cas., 727; 57 L. J., Ch., 390; 58 L. T., 93.

Trustees must not lend on a contributory mortgage ;

Nor for a period of years.

Extent of trustees' liability for advancing more than two-thirds.

not for the sole benefit of the person entitled to the present income ; (3) To apply such care and skill in acting on advice which they have obtained in matters which they do not personally understand, *e.g.*, valuations, and that the mere fact that they have obtained such advice is not in itself sufficient. As a further instance of what will be imputed to a trustee's part, it may be mentioned that it has been held that trustees are never justified in advancing a contributory mortgage, and that to do so is a breach of trust, no matter how good the investment may be (*k*). Thus, A and B are trustees of £3,000 to invest. C has an admirable security for £5,000, and D is willing to join with A and B in the investment, they advancing their £3,000 trust money and he advancing £2,000, and there being no mortgage to A, B, and D. A and B must not enter into this investment. Trustees also must not enter into any arrangement with a mortgagor for the continuance of the loan for a period of years, which would thereby hamper themselves in the event of it being desirable to realise (*l*).

Where trustees advance on mortgage more than two-thirds of the value of the property, they are in doubt guilty of a breach of trust, and, in the event of there being a loss, the question then arises as to the extent of their responsibility. Formerly, if trustees advanced too much, they were liable for all the loss which might occur, because they were original trustees. This is, however, not now the law. As provided by the Trustee Act, 1893 (*m*), if trustees advance an improper sum on a mortgage without security, it shall be deemed an authorized sum.

(*k*) *Webb v. Jonas*, 39 Ch. D., 660; 57 L. J., Ch., 671 ;

(*l*) *Vicary v. Evans*, 33 Beav., 376.

(*m*) 56 & 57 Vict., c. 53, sec. 9, being a similar enactment repealed provision of the Trustee Act, 1888, sec. 5. It is excepted as to actions pending on 24th December, 1888.

the less sum which might at the time of investment have been properly advanced thereon, and they shall only be liable to make good the excess with interest. Thus, suppose the surveyor, employed by trustees, reports that the property is worth £1,500, and advises that an advance may be made. The trustees lend £1,200, whereas they ought only to have lent £1,000. The property afterwards goes down very much in value, and ultimately realises only £900, so that there is a loss of £300; the trustees will only be liable to make good £200 of this deficiency, being the excess beyond what they ought to have advanced. A trustee is not, however, entitled to the protection afforded by this provision unless the investment which has proved deficient was a proper investment at the time in all respects other than value (n). Where a trustee advances too much on a security, or advances on an improper security, he may always, if he desire, pay the whole amount, and take over the security. If the security was one he had no power to invest on, it appears that the *cestuis que trustent* must either accept it or reject it, and cannot realize without notice to him, so as to give him the option of paying the money and taking over the investment; but there is no such rule if the investment is of a description authorised by the trust, and the breach of trust consists only of a want of care and caution (o).

Example of position now.

Besides being liable for his own individual acts, a trustee may often find himself liable for the breaches and defaults of his co-trustee, the rule being that he is liable if he has in any way conduced to the breach of trust, *e.g.*, by permitting his co-trustee to receive and retain trust money, or

Trustee's liability for defaults of co-trustees.

(n) *Re Walker, Walker v. Walker*, 59 L. J., Ch., 386; 62 L. T., 449.

(o) *Re Salmon, Priest v. Uppleby*, 42 Ch. D., 351; 38 W. R., 150; 61 L. T., 146.

*Joy v.
Campbell.*

handing over the trust money to him (*p*). To this rule there is one prominent exception, and that is where the co-trustee resides at a distance, and money is remitted to him there, to be properly applied, where an agent would naturally be employed; for here, if he misapplies it, the other trustee is not liable (*q*).

Liability for
acts of agents.

It is a general rule that trustees may not delegate their powers—for they themselves are but delegates, and the maxim is *Delegatus non potest delegare*—yet they may do so where a moral necessity for it exists, or where it is done in the ordinary and proper way of business (*r*). Thus, though it is the duty of trustees to keep the trust securities under their own control, and not to entrust them to others, yet this is subject to reasonable limits, so that it has been held that where deeds have to be frequently referred to, *e.g.*, for the purpose of realizing the trust estate, it is proper for them to be left in the custody of the trustees' solicitors (*s*). In a recent case, trustees properly held certain American bonds transferable by delivery, with coupons attached, and it was held that they might safely and properly deposit them with their bankers, so that they might from time to time cut off the coupons and collect the amounts (*t*). The right to delegate in a proper case is, however, perhaps best shown by the important case of *Re Speight, Speight v. Gaunt* (*u*), where it was necessary to purchase certain stock, and the trustee employed a stockbroker to purchase

*Re De
Pothonier.*

*Re Speight,
Speight v
Gaunt.*

(*p*) *Townley v. Sherborne*, 2 Wh. & Tu., 629; *Robinson v. Harkin* (1896), 2 Ch., 415; 65 L. J., Ch., 773; 74 L. T., 777.

(*q*) *Joy v. Campbell*, 1 Sch. & L., 341.

(*r*) *Ex parte Belchier*, Amb., 318.

(*s*) *Field v. Field* (1894), 1 Ch., 425; 63 L. J., Ch., 233; 69 L. T., 826.

(*t*) *Re De Pothonier, Dent v. De Pothonier* (1900), 2 Ch., 529; 69 L. J., Ch., 773; 83 L. T., 220.

(*u*) 9 App. Cas., 1; 53 L. J., Ch., 419; Brett's Eq. Cas., 145.

it, who falsely represented that he had done so, whereupon the amount was paid to, and misapplied by him. It was held that the trustee was not liable, for he had acted *bonâ fide* in the ordinary way of business, and with reasonable prudence, having selected a stockbroker of fair repute. In another case, it being necessary for trustees and executors to sell certain bonds in public companies which were registered in the testator's name, they handed them to a stockbroker for the purpose of getting them converted into unregistered bonds (a course which was proved to be usual though not absolutely necessary), and then to sell. The broker sold the bonds and misappropriated the proceeds, and it was held that the trustees were not liable for the loss, their conduct having been reasonably necessary, and without negligence (*w*). To successfully make out, however, that a trustee is not liable for the act of an agent he has employed, it must be shewn that he has taken all ordinary precautions, and generally acted as a prudent man; so that where a trustee employed an outside stockbroker, who misapplied the trust money, the trustee was held not to have acted prudently, and to be liable for the loss (*x*).

Gasquoine v. Gasquoine

Robinson v. Harkin.

Although it has been held that trustees are liable for the fraudulent act of their solicitor (*y*), yet it would appear, on the foregoing principle, that if it is a proper employment, and nothing has been done but what is usual, the trustees will not be liable for money entrusted to the solicitor, *e.g.*, where trustees employ a solicitor to complete a mortgage, and just before completion hand him the necessary amount.

Trustees acting by solicitor.

(*w*) *Re Gasquoine, Gasquoine v. Gasquoine* (1894), 1 Ch., 470; 63 L. J., Ch., 377; 70 L. T., 196.

(*x*) *Robinson v. Harkin* (1896), 2 Ch., 415; 65 L. J., Ch., 773; 74 L. T., 777.

(*y*) *Bostock v. Floyer*, L. R., 1 Eq., 26.

Trustees
formerly could
not depute
solicitor to
receive
purchase-
money.

Clearly, however, the trustees must be very careful as to the way in which they act, and they will certainly be liable if they allow a solicitor to receive and retain money pending an investment being found (z). It is submitted also, that where trustees, on making an investment, instruct a solicitor to investigate the title—as is in fact their duty to do—and such solicitor is guilty of some error, and there is by reason thereof, a loss, the trustees are not personally liable to make good such loss (a). It was formerly held that trustees selling property were not justified in employing a solicitor to receive the purchase-money, and that, where they, having sold property, left the conveyance executed by them, and having their receipt endorsed thereon, in the hands of their solicitor, to complete and hand them the money, and such solicitor received and misapplied the amount, they were liable to make it good, for they were but agents or delegates, and *delegatus non potest delegare* (b). And in fact in sales by trustees, the purchaser was actually held not to be safe in paying to the solicitor of the trustees, or even to one of the trustees under an authority from the others, but that he must pay to all the trustees, who must attend personally to receive it, or else he must pay it into a bank, at their request, in their joint names (c). The rule still prevails that a purchaser cannot ordinarily pay to one of several trustees, their powers being joint only, but with regard to payment to the

Provision of
Trustee Act,
1893, hereon.

(z) See *Re Mitchell, Mitchell v. Mitchell*, 54 L. J., Ch., 342; 52 L. T., 178; *Wyman v. Paterson* (1900), A. C., 271; 69 L. J., P. C., 32; 82 L. T., 473.

(a) The contrary was held by Lord Romilly, in *Hopgood v. Parkin* (L. R., 11 Eq., 70), but this decision cannot be reconciled with the decision of the Court of Appeal in *Re Speight, Speight v. Gaunt* (9 App. Cas., 1; 53 L. J., Ch., 419), and Lord Justice Lindley in that case expressly dissented from *Hopgood v. Parkin*.

(b) *Ghost v. Waller*, 9 Beav., 497.

(c) *Re Bellamy & Metropolitan Board of Works*, 24 Ch. D., 387; 52 L. J., Ch., 870; *Re Flower & Metropolitan Board of Works*, 27 Ch. D., 592; 53 L. J., Ch., 955.

trustees' solicitors, it is now provided by the Trustee Act, 1893 (*d*), that a trustee may appoint a solicitor to be his agent to receive and give a discharge for any money, valuable consideration, or property receivable by such trustee under the trust, by permitting such solicitor to have the custody of, and to produce a deed, containing a receipt in its body, or indorsed thereon, such deed being executed, or the indorsed receipt signed, by the person entitled to give a receipt. It is also provided that no trustee is to be chargeable with breach of trust by reason only of his having made or concurred in such appointment of a solicitor, and the producing of such deed by such solicitor is to have the same validity and effect as if the person appointing the solicitor had not been a trustee (*e*)—that is to say, shall be a sufficient authority for the party liable to pay, paying to the solicitor, and this without any separate authority from the trustee. But a trustee is not exempted from liability if he lets the money, valuable consideration, or property remain in the hands, or under the control, of the solicitor any longer than is reasonably necessary for the solicitor to pay or transfer the same to the trustee (*f*). Further it may be noticed that the same Act (*g*) provides that a trustee may, without breach of trust, appoint a banker, or solicitor, his agent, to receive and give a discharge for any money payable to him under a policy of assurance, by permitting such banker or solicitor to have the custody of, and produce such policy, with a receipt signed by such trustee; but here again the trustee is not to be exempt from liability if he leaves such money in the hands, or under the control, of the banker, or solicitor, for

Policy moneys.

(*d*) 56 & 57 Vict., c. 53, sec. 17, being a similar provision to that contained in the Trustee Act, 1888 (sec. 12), now repealed.

(*e*) See 44 & 45 Vict., c. 41, sec. 56.

(*f*) 56 & 57 Vict., c. 53, sec. 17 (3).

(*g*) Sec. 17 (2).

longer than is reasonably necessary for the banker, or solicitor, to pay it over to the trustee (*h*).

Liability for failure of bank.

Trustees are not liable if, in the ordinary discharge of duty, they deposit money temporarily in a bank and the bank fails (*i*); but it must not be more than a mere temporary deposit, so that where trustees left money on deposit at a bank for a period of fourteen months, and the bank failed, they were held liable (*k*). Nor will trustees be liable for the misapplication by an auctioneer employed by them, of a deposit on a sale, necessarily left in the hands of the auctioneer on the sale, in accordance with the conditions (*l*).

(Or auctioneer.

Liability of trustees neglecting to invest.

Where trustees neglect to invest money, or improperly invest it, the general rule is that they are liable for the fund with interest at 3 per cent. per annum (*m*), but in certain cases they may be liable for more, *e.g.*, where they have improperly called in a security carrying a higher rate of interest, or have in any other way been guilty of gross misconduct. And where a trustee has employed the trust property in trade or speculation, he will be liable, at the option of the beneficiaries, either to pay compound interest at 5 per cent., with yearly and even half-yearly rests, if he may reasonably be presumed to have made that amount, or to account for all profits made by him (*n*). Where trustees are guilty of two distinct

Gain cannot be set-off against loss.

(*h*) These provisions only apply where the money or property has been received after 24th December, 1888 (56 & 57 Vict., c. 53, sec. 17 (4)).

(*i*) *Swinfen v. Swinfen*, 29 Beav., 211; *Fenwick v. Clarke*, 31 L. J., Ch., 728.

(*k*) *Cann v. Cann*, 33 W. R., 40; 51 L. T., 770.

(*l*) *Edmunds v. Peake*, 7 Beav., 239.

(*m*) *Robinson v. Robinson*, 1 De G., Mac. & G., 247. It was formerly 4 per cent., but, having reference to the difficulty at the present day in finding sound 4 per cent. investments, the rate has been altered to 3 per cent. *Re Barclay, Barclay v. Andrew* (1899), 1 Ch., 674; 68 L. J., Ch., 383; 80 L. T., 702; *Rowls v. Bebb* (1900), 2 Ch., 107; 69 L. J., Ch., 562; 82 L. T., 633; 48 W. R., 562.

(*n*) *Underhill's Trusts*, 342.

breaches of trust, one of which causes a loss to the trust estate, and the other a gain, they are not allowed to set off the gain against the loss, but they must account for the full gain, and make good the full loss (o).

Every trustee is, in general, liable for the whole loss to the trust estate, caused by any breach of trust, and where there is a judgment against several trustees in respect of a breach of trust, it may be enforced against them all, or against one or more only. Still, as between themselves, although all liable, yet if the breach of trust does not amount to actual fraud, those who have had to refund the loss to the trust estate will be entitled to contribution from the others (p). Where, however, one of several trustees has got the benefit of a breach of trust, or has been the confidential legal adviser of his co-trustees, he may be called upon to indemnify his co-trustees, and to bear the whole loss himself (q). Where the breach of trust has been committed by one only of the trustees, but yet they are all liable in respect of it, as a general rule there is no right of indemnity so as to render the one trustee who directly committed the breach of trust liable to indemnify his co-trustees, provided that, though acting erroneously, yet he acted perfectly honestly (r). But such a right of indemnity exists in exceptional cases, where the non-acting trustees have some independent right to indemnity, e.g., where the acting trustee has been a solicitor, and, acting as such for the trust, has by negligence or improper conduct lost the trust fund (s). And it

✓
Contribution
and indemnity
between
trustees.

✓
*Robinson v.
Harkin.*

(o) *Wiles v. Gresham*, 1 Drew, 258.

(p) *Robinson v. Harkin* (1896), 1 Ch., 415; 65 L. J., Ch., 773; 74 L. T., 777.

(q) *Underhill's Trusts*, 375, 378.

(r) *Robinson v. Harkin*, *supra*.

(s) *Bahin v. Hughes*, 31 Ch. D., 390; 55 L. J., Ch., 472; 54 L. T., 188.

Chillingworth v. Chambers. has been held that if one of the trustees is also a *cestui que trust*, and has, by reason of that position, derived a benefit from the breach of trust, he is bound to indemnify his co-trustee to the extent of his beneficial interest in the trust property, and this even although he did not become a *cestui que trust* until after the breach of trust was committed (*t*).

Trustees' powers are joint only.

Brice v. Stokes.

Trustees' powers are joint only, and not like those of executors, joint and several. Therefore, in the case of trustees joining in receipts, as they have but a joint authority, and their joining is accordingly necessary for conformity, no presumption of receipt of the money will usually arise; but in the case of executors, as they, ordinarily, have not merely a joint, but also a several power, if they have joined in signing a receipt, a presumption that each has actually received the money arises, though that presumption is capable of being rebutted (*u*). But although trustees' powers are joint, and, therefore, as regards receiving capital they must all join, this does not apply to the income of the trust property, for one of them may be delegated by the others to receive this (*w*).

Trustee not remunerated.

Exceptions.

A trustee is not allowed to make any profit out of his trust estate, and, therefore, although he may claim to be reimbursed all proper expenditure (and such claim constitutes a first charge on all the trust property, both income and corpus (*x*)), he cannot claim to be remunerated, even although his services may have been productive of great benefits to his *cestui que trust* (*y*). To this rule there are, however, exceptions, for a trustee is entitled to be remun-

(*t*) *Chillingworth v. Chambers* (1896), 1 Ch., 685; 65 L. J., Ch., 343; 74 L. T., 34.


(*u*) *Brice v. Stokes*, 2 Wh. & Tu., 633, and notes.

(*w*) *Underhill's Trusts*, 235, 236.

(*x*) *Stott v. Malne*, 25 Ch. D., 710; 50 L. T., 742; Brett's Eq. Cas., 160.

(*y*) *Barrett v. Hartley* L. R., 2 Eq., 787.

rated—(1) Where the trust instrument provides for such remuneration (z); (2) Where at the time of accepting the trust he expressly stipulated with beneficiaries, who were *sui juris*, for a remuneration, and there was no unfair pressure on his part; (3) Where the Court has expressly allowed remuneration, and by the Judicial Trustee Act, 1896 (a), it has now been expressly provided that in any proper case the Court may appoint a “judicial trustee” who may be remunerated; and (4) Where the trust property is abroad, and it is the custom of the local Courts to allow remuneration (b). And as a necessary outcome of this same principle, a trustee is not allowed to purchase the property of his *cestui que trust* (c); and such a transaction will be set aside unless the trustee can clearly show that his *cestui que trust* (being, of course, *sui juris*) was fully aware of his purchasing, and thoroughly understood the transaction, and that he disclosed all possible facts which might affect the matter, and took no advantage of his position, but paid full value (d). And for such a transaction to stand, the trustee must always purchase openly in his own name, and not privately in the name of a third person, for if he does this the transaction can always be set aside, even though fair. The whole onus is on a trustee who purchases, to show the fairness and propriety of the transaction, and generally to support his purchase; and it may in fact be stated that, practically, no trustee can safely purchase the trust property without coming to the



As to a trustee purchasing the trust property.

Fox v. Mackreth.

(z) When the trust instrument is a will, and thus provides for remuneration, the amount thereof is liable to legacy duty. *Re Thorley, Thorley v. Massam* (1891), 2 Ch., 613; 60 L. J., Ch., 537; 64 L. T., 515.

(a) 59 & 60 Vict., c. 35, sec. 1.

(b) *Underhill's Trusts*, 240, 241.

(c) *Fox v. Mackreth*, 1 Wh. & Tu., 141.

(d) *Underhill's Trusts*, 244. This principle does not apply to a person who was a trustee, but who for a considerable space of time has ceased to be so. (*Re Boles & British Land Company's Contract*, W. N. (1901), 243; *Law Students' Journal*, Jan., 1902, p. 6.)

Court for its sanction, and in doing this he must take care to be fair and open, and not in any way obtain the approval of the Court by the suppression of any facts that ought to have been disclosed, or by any mis-statements. If he comes to the Court thus openly and fairly, and purchases with the Court's sanction, then he will be safe (e).

Effect of time
as regards
trustees'
breaches of
trust.

Where an express trustee has been guilty of a breach of trust, the rule was formerly absolute, that he must remain continually liable for it, and that lapse of time formed no bar to a claim against him by his *cestui que trust*, who had not acquiesced therein and had not been guilty of any laches; and this was a rule which always existed in Equity, and which was made the general law by Section 25 of the Judicature Act, 1873. However, to a certain extent, the Statutes of Limitation now apply to such matters, it being provided by the Trustee Act, 1888 (f), that as regards any actions or proceedings commenced after 1st January, 1890, the rights and privileges conferred by any Statute of Limitations, either directly or by analogy, shall be fully enjoyed by trustees (g), except where the claim is founded on fraud, or fraudulent breach of trust, to which the trustee was party or privy (h), or is to recover trust property, or the proceeds thereof, still retained by the trustee, or previously received by

Provision of
Trustee Act,
1888.

(e) *Coaks v. Boswell*, L. R., 11 App. Cas., 232; 55 L. J., Ch., 761; 55 L. T., 32.

(f) 51 & 52 Vict., c. 59, sec. 8.

(g) This does not apply to a trustee in bankruptcy (*Re Cornish* (1896), 1 Q. B., 99), but it does to a director of a company, so that where a liquidator sought under the Companies' Winding Up Act, 1890 (53 & 54 Vict., c. 53, sec. 10), to recover from directors, assets of a company improperly applied by them, it was held that the directors were entitled to plead the Statute of Limitations as a defence in any case where trustees could do so under the provisions mentioned in the text; not that they are strictly trustees, but because the Court has always treated them as standing in a similar position to trustees (*Re Lands Allotment Company, Limited* (1894), 1 Ch., 616; 63 L. J., Ch., 291, 70 L. T., 286).

(h) See *Thorne v. Heard* (1895), A. C., 495; 64 L. J., Ch., 652; Bielt's Eq. Cas., 187.

him and converted to his use (i). If, therefore, a trustee is merely guilty of negligence—say of not investing, or of having lost or otherwise injured the trust property by some improper investment—the Statute of Limitations may be pleaded, and any claim will be barred after six years, for a breach of trust creates merely a simple contract debt (k). But if the trustee has been guilty of direct fraud or misappropriation, then it is otherwise, and the rule remains as it has always been, that the only bar to the *cestui que trust's* rights, is laches and acquiescence.

When Statute of Limitations applies, time from which it runs.

Somerset.

In cases where trustees may take advantage of the Statute of Limitations, the statute ordinarily begins to run from the time the breach was committed, but in the case of a beneficiary entitled in remainder, not until his interest falls into possession (l). In one case, a tenant for life and his infant children sued trustees to make good a breach of trust. The breach of trust consisted of an excessive amount having been advanced on mortgage in the year 1878, and it was only discovered that the security was insufficient in the year 1890, and the action was brought in 1892. It was held that as between the infant plaintiffs and the defendants, the trustees, the defendants were liable, but that as between the plaintiff tenant for life and the defendants, the right to sue was barred (m).

Laches and Acquiescence.

But irrespective of the provision of the Trustee Act, 1888, trustees may be released from liability by reason either of laches or acquiescence on the part of their *cestuis que trustent*. The expression “laches” signifies a neglect, a lying by, and not enforcing

(i) See *Wassell v. Leggatt* (1896), 1 Ch., 554; 65 L. J., Ch., 240; 74 L. T., 99.

(k) *Holland v. Holland*, L. R., 4 Ch. App., 449; 38 L. J., Ch., 252. See also *Re Timmus, Nixon v. Smith*, W. N. (1901), 242; *Laro Students' Journal*, Jan., 1902, p. 6.

(l) 51 & 52 Vict., c. 59, sec. 8.

(m) *Re Somerset, Somerset v. Earl Poulett*, 62 L. J., Ch., 720; 68 L. T., 613; 41 W. R., 536.

a demand after knowledge of one's rights. Acquiescence means more than laches, signifying a kind of permission, as standing by and knowingly permitting a thing to be done. The rule of the Court has always been that every *cestui que trust*, who is *sui juris*, and who is aware of his claim against his trustee, must proceed with reasonable diligence to enforce it, for the maxim is *Vigilantibus non dormientibus æquitas subvenit*, and if therefore the *cestui que trust* lies by for a long time, he is not allowed to bring forward his stale demands. And as the Trustee Act, 1888, does not say that a *cestui que trust* shall necessarily have the fixed statutory time for taking proceedings against his trustee, but merely says that, after the statutory period, no action can be maintained, it is apprehended that the effect of the enactment is to fix a statutory period after which, with respect to certain breaches of trust, no action can possibly be maintained, but to still leave the Court a discretion, as heretofore, to refuse to interfere during any earlier period. Certainly, also, the rule remains the same, that if a *cestui que trust* who is *sui juris*, has acquiesced, or concurred, in a breach of trust, in fact been a party to it, he shall not be allowed to complain of it (*n*).

Cestui que trust who is not *sui juris* concurring in breach of trust.

And a *cestui que trust* who is even not *sui juris*, but who has concurred in a breach of trust, is not allowed to afterwards charge the trustee if he has himself been guilty of any fraud, for "He who comes into Equity must come with clean hands" (*o*); but, until lately, this principle did not apply to a married woman in respect of property settled upon her for her separate use without power of anticipation (*p*).

(*n*) *Re Somerset, Somerset v. Earl Poulett*, 62 L. J., Ch., 720; 68 L. T., 613; 41 W. R., 536.

(*o*) *Sharp v. Foy*, L. R., 4 Ch., 35; 17 W. R., 65. As to this maxim, see *ante* p. 19.

(*p*) *Stanley v. Stanley*, 7 Ch. D., 589; 47 L. J., Ch., 256.

There is, however, now a general provision in the Trustee Act, 1893, which appears to cover even this case, viz. :—That where a trustee commits a breach of trust at the instigation, or request, or with the consent in writing, of a beneficiary, the Court may, even if the beneficiary is a married woman entitled for her separate use without power to anticipate, impound all or any part of the beneficiary's interest, to indemnify the trustee or any one claiming through him (q). On this provision it has been decided that the words "in writing" apply only to consent, and not to instigation or request (r). It has also been held that the discretion which is conferred upon the Court of ordering that the interest of the beneficiary be impounded by way of indemnity to the trustee, may be exercised in a case where both the trustee and the instigating beneficiary were aware of the facts constituting the breach of trust; and therefore where the trustee for a married woman, who was tenant for life without power of anticipation, advanced part of the capital to her upon her request, and her statement that the money was needed to prevent her home being sold up, it was held that the trustee, upon making good to the estate the money so advanced, ought to be indemnified out of the income payable to the married woman (s). Still, it is generally the duty of a trustee to protect a married woman against herself when she, as a beneficiary restrained from anticipation, asks him to commit a breach of trust, and he must not deliberately commit a breach of trust at the request, or with the consent, of such a beneficiary, in the hope that the Court will afterwards assist him by removing the restraint. One

Provision of
Trustee Act,
1893.

Impounding
cestui que
trust's interest
to indemnify
trustee.

(q) 56 & 57 Vict., c. 53, sec. 45, in place of the similar repealed provision of the Trustee Act, 1888 (sec. 6). It is retrospective except as to actions pending on 24th December, 1888.

(r) *Griffiths v. Hughes* (1892), 3 Ch., 105; 62 L. J., Ch., 135; 66 L. T., 760.

(s) *Ibid.*

of the facts to be borne in mind by the Court in the exercise of its discretion certainly is, whether the breach of trust was committed by the trustee knowingly, but the Court will look at the whole circumstances of each particular case (*t*). The Court being, therefore, able to impound the beneficiary's interest, would not, it is apprehended, give relief against the trustee at the instance of such a beneficiary who has consented in writing, or has instigated, or requested, the breach of trust to be committed.

As to time
barring claim
founded on an
express trust,
and on a
constructive
trust,
respectively.

But, although (except in the cases now provided for by the Trustee Act, 1888) lapse of time does not bar a claim by a *cestui que trust* against his trustee on an express trust, this is not so, and never has been so, with regard to trusts arising only by implication or construction of the Court. As to these the rule is that if a person has been in possession, not being a trustee under some instrument, but still being in possession under such circumstances that the Court on principles of equity would hold him to be a trustee, the Statute of Limitations may be pleaded (*u*). It is not always easy to determine when a person is in possession of property as an express, and when as an implied or constructive, trustee. In *Soar v. Ashwell* (*w*) a trust fund had been held by trustees under a will, in trust for two persons in equal shares for their respective lives, and after the death of each in trust as to his share for his children. The fund was entrusted by the trustees to a solicitor, and was invested by him on mortgage in his own name. This mortgage was paid off in 1879, and the solicitor received the

Soar v.
Ashwell.

(*t*) *Bolton v. Curre* (1895), 1 Ch., 544; 64 L. J., Ch., 164; 71 L. T., 752.

(*u*) *Petre v. Petre*. 1 Drew., 371; *Knox v. Gye*, L. R., 5 H. L., 656.

(*w*) (1893), 2 Q. B., 390; 69 L. T., 585; 42 W. R., 165.

money, and did not account for a part of it, and died in the same year. In 1891 this action was brought against his personal representative, claiming an account of the moneys so retained by the solicitor. It was held by the Court of Appeal that the solicitor must be considered as having been in the position of an express trustee of such money, and that therefore lapse of time did not act as a bar to the action. Lord Esher, and Lord Justice Bowen, considered that this was so because the solicitor received the money in a fiduciary relation, and as trustee for his clients, and Lord Justice Kay considered that it was so because he, though a stranger to the trust, had assumed to act, and had acted, as a trustee, and had received the trust money under a breach of trust in which he concurred. It was in this case admitted that constructive trusts are, in general, liable to be barred by the Statute of Limitations, but the following four exceptions were mentioned when this would not be so, viz.:—(1) Where a person in a fiduciary relation obtains, by virtue of such relation, control of property; (2) Where a person assists a trustee in a fraudulent disposition of the trust property; (3) Where a stranger to the trust makes himself trustee *de son tort*; and (4) Where a person receives trust property, and deals with it in a manner inconsistent with trusts of which he is cognisant.

In *Soar v. Ashwell* there could be no doubt but that in some sense the solicitor was a trustee, that is, either an express or a constructive trustee. But it is not always so easy to determine whether a stranger to a trust has incurred any such liabilities. It may, however, be stated, as a general rule, that a stranger to a trust, acting as agent of the trustees in transactions within their legal powers, may be held liable as a trustee if he receives and becomes chargeable with part of the trust property, and will certainly

As to a stranger to a trust being held liable as a trustee.

be held liable if he acts with knowledge of a dishonest and fraudulent design on the part of the trustee (x). The mere fact, however, that an agent, *e.g.*, a solicitor, knows that a technical breach of trust is being committed in the matter in which he is acting, is not sufficient to render him liable. Thus, where a solicitor received from a trustee, for whom he was acting, a sum of trust money which on the trustees' instructions, and without giving any advice, he invested on an insufficient security, he was held not to be liable for the loss (y). In another case a solicitor was held not to be liable as a constructive trustee, where he had simply made an investment of trust money on an improper security, even although the investment was made at his instigation. He might, however, in this case have been sued for negligence as a solicitor (z).

Brinsden v. Williams.

Mara v. Browne.

Bankruptcy.

Even bankruptcy does not exonerate a trustee from the consequences of his fraudulent breach of trust, it being expressly provided by the Bankruptcy Act, 1883 (a), that an order for discharge shall not release the bankrupt from any debt or liability incurred by means of any fraudulent breach of trust *to which he was a party* (b). It should also be noticed that trust property in the possession of a person who becomes bankrupt, does not pass to his trustee, but may be followed and claimed by the *cestui que trust*. And, on this principle, it has been held that if a person into whose possession money comes as trustee for another, pays it into his bankers

Following and tracing trust property.

Re Hallett's Estate.

(x) *Barnes v. Addy*, L. R., 9 Ch., 244 : Brett's Eq. Cas., 13.

(y) *Brinsden v. Williams* (1894), 2 Ch., 185 ; 63 L. J., Ch., 713 ; 71 L. T., 177.

(z) *Mara v. Browne* (1896), 1 Ch., 199 : 65 L. J., Ch., 225 ; 73 L. T., 638.

(a) 46 & 47 Vict., c. 52, sec. 30.

(b) With regard to the italicised words, see as to the position prior to this Act, *Cooper v. Pritchard*, 11 Q. B. D., 371 ; 52 L. J., Q. B., 526.

and lets it rest there, and then draws cheques in the ordinary manner, the presumption is that he draws his cheques on that part of the money at his bankers which is not trust money, and the money remaining at his bankers will be presumed, to the necessary extent, to still be the trust money, so as to enable the *cestui que trust* to follow and claim it (c).

To this may be added, that it is an improper act on the part of a trustee ever to mix trust money with his own, and, therefore, when he is guilty of doing so, the onus is on him to show which part of the fund is his own, and which is trust money, and in so far as he fails in doing this, it will all be presumed to be trust money. And where a trustee has in any way misapplied trust money, has wrongfully converted it, or has invested it in some unauthorised shape, it may always be followed so long as it is capable of being ear-marked or identified, and provided that the *cestui que trust's* rights are not destroyed by the countervailing equity of a *bonâ fide* purchaser for value without notice, having the legal estate, or legal possession (d). Thus, if a trustee has wrongfully applied trust money in the purchase of land, the *cestui que trust* can claim the land; and where the trustee has bought land partly with his own money, and partly with trust money, the *cestui que trust* can follow the land, and claim a first lien or charge thereon for the trust money. And whenever a trustee has been guilty of any breach of trust of this character, if all the *cestuis que trustent* are *sui juris*, they can collectively elect to adopt the breach and take the property as it stands; but if one of them objects, he may require it to be reconverted, and, in

Trustee should not mix trust money with his own.

Lien on land purchased.

(c) *Re Hallett's Estate*, 13 Ch. D., 696; 49 L. J., Ch., 415; Brett's Eq. Cas., 179. See also *post*, 170.

(d) *Ante*, p. 10.

Assignm.
choses in
action.

that event, any gain accrues to the trust estate, and any loss falls on the trustee (*e*).

Judicatu
Act 187,
sect. 25.

Improper
employment of
trust property
for partnership
purposes.

It is convenient here to notice that the Partnership Act, 1890 (*f*), provides that if a partner, being a trustee, improperly employs trust property in the business of the partnership, no other partner is liable for the trust property to the persons beneficially entitled, provided, however, (1) this shall not affect any liability incurred by any partner by reason of his having notice of a breach of trust, and (2) this shall not prevent trust property being followed and recovered from the firm, if still in its possession, or under its control.

Equitab
assignm

What care
and diligence
trustees bound
to use.

The rule.

Trustees are, as has been stated (*g*), in general unremunerated, and therefore, looked at by analogy to the rules of law relating to voluntary bailees, it would at first sight appear that they ought to be liable only for gross neglect. Principles of policy, and general utility, especially having reference to the frequently helpless state of the *cestuis que trustent*, have probably led to the law being, as it is, considerably different to this, and the whole matter of trustees' liability may be shortly summed up thus:—Certain things have been established by the Court to be the duties of trustees, and to all such things the Court requires a rigid adherence, and any departure therefrom will subject the trustee to liability. With regard to other matters trustees must exercise great care, diligence, and forethought, and if they fail to act as men of prudence should act in the management of their own affairs, they will be liable (*h*). And even although trustees are remunerated, it is doubtful if their liability is

(*e*) Underhill's Trusts, 351, 352.

(*f*) 53 & 54 Vict., c. 39, sec. 13.

(*g*) *Anie*, p. 94.

(*h*) Smith's Manual, 157, 158

thereby increased. It has been held that a trustee, even though remunerated, is not liable for loss occasioned to the trust estate by the felonious acts of his servant, providing such servant is properly entrusted with the custody of the trust property, and is selected and employed without negligence (i).

Jobson v. Palmer.

A trustee who retires is not ordinarily liable for breaches of trust committed after he has ceased to be a trustee. In order to make him so liable, it must be clearly shewn that the very breach of trust which was in fact committed, was contemplated by the former trustees when the retirement took place, and that he was guilty as an accessory before the fact to such breach of trust. It is not sufficient to prove that the retiring trustee rendered easy, or even intended, a breach of trust, if the breach of trust so intended was not in fact committed (k).

Liability of a retiring trustee.
Heald v. Gould.

Trustees are bound to give reasonable information to their *cestuis que trustent* as to the state of the trust property, and how invested (l), but they are not bound to answer an inquiry as to whether a *cestui que trust* has encumbered, though if they do answer an inquiry on this point they must give what they believe to be a true answer. In one case (m), in answer to an enquiry addressed by an intending mortgagee to the trustee of a fund, whether the life tenant had encumbered his interest, the trustee enumerated certain specific charges, but had, in fact,

Trustees must give certain information.

Low v. Bouverie.

(i) *Jobson v. Palmer* (1893), 1 Ch., 71; 62 L. J., Ch., 180; 67 L. T., 797.

(k) *Heald v. Gould* (1898), 2 Ch., 250; 67 L. J., Ch., 480; 78 L. T., 739; 46 W. R., 597.

(l) *Re Dartnall, Sawyer v. Goddard* (1895), 1 Ch., 474; 64 L. J., Ch., 641; 72 L. T., 404.

(m) *Low v. Bouverie* (1891), 3 Ch., 82; 60 L. J., Ch., 594; 65 L. T., 533. See also hereon *Burrowes v. Lock*, 1 Wh. & Tu., 446, which is a case of Equitable Estoppel.

Assignment
choses in
action.

Estoppel.

Judicature
Act 1873
sect. 25.

*Ward v.
Duncombe.*

Equitable
assignment

Re Wasdale.

received notice of certain other charges which he had forgotten. The intending mortgagee advanced his money, and suffered a loss, and sought to recover it from the trustee. It was held that the trustee was not liable in the absence of estoppel, and that his answer did not amount to a positive representation that there were no other incumbrances on the life interest, so as to create an estoppel against him. Of course, in distributing a trust fund, it is the duty of all the trustees to act upon the notices of incumbrances they have all, or each, received, and it has been held, that to this extent notice to one trustee is notice to all. Consequently, an intending incumbrancer cannot safely take a charge upon a trust fund without ascertaining from each then existing trustee that he has no notice of any existing charge (n), and even then he may run some risk. It must not, however, from this be assumed that an incumbrancer of a *cestui que trust's* interest is safe in giving notice to one only of several trustees. He should give notice to all, for though he is safe as long as the trustee to whom he has given notice lives, if such trustee dies without having communicated the notice to his co-trustees, a subsequent incumbrancer without notice, whose incumbrance was created after the death of the trustee who had notice, and who gives notice to the then trustees, will be preferred (o). If notice is given to all the trustees, and they retire or die, and new trustees are appointed to whom the notice is not passed on, the notice nevertheless remains effectual, and if a further assignment or disposition is made, and notice thereof is given to the new trustees, the right of the prior assignee nevertheless

(n) *Ward v. Duncombe* (1893), A. C., 369; 62 L. J., Ch., 881; 69 L. T., 121.

(o) *Timson v. Ramsbottom*, 2 Keen, 35; *Meux v. Bell*, 1 Hare, 73; *Ward v. Duncombe*, *supra*; and see generally as to the necessity of notice, and the rule in *Dearle v. Hall*, *ante*, p. 15.

thereby increased. It has been held that a trustee, even though remunerated, is not liable for loss occasioned to the trust estate by the felonious acts of his servant, providing such servant is properly entrusted with the custody of the trust property, and is selected and employed without negligence (i).

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Estoppel.

*Ward v.
Duncombe.**Re Wasdale.*

received notice of certain other charges which he had forgotten. The intending mortgagee advanced his money, and suffered a loss, and sought to recover it from the trustee. It was held that the trustee was not liable in the absence of estoppel, and that his answer did not amount to a positive representation that there were no other incumbrances on the life interest, so as to create an estoppel against him. Of course, in distributing a trust fund, it is the duty of all the trustees to act upon the notices of incumbrances they have all, or each, received, and it has been held, that to this extent notice to one trustee is notice to all. Consequently, an intending incumbrancer cannot safely take a charge upon a trust fund without ascertaining from each then existing trustee that he has no notice of any existing charge (n), and even then he may run some risk. It must not, however, from this be assumed that an incumbrancer of a *cestui que trust's* interest is safe in giving notice to one only of several trustees. He should give notice to all, for though he is safe as long as the trustee to whom he has given notice lives, if such trustee dies without having communicated the notice to his co-trustees, a subsequent incumbrancer without notice, whose incumbrance was created after the death of the trustee who had notice, and who gives notice to the then trustees, will be preferred (o). If notice is given to all the trustees, and they retire or die, and new trustees are appointed to whom the notice is not passed on, the notice nevertheless remains effectual, and if a further assignment or disposition is made, and notice thereof is given to the new trustees, the right of the prior assignee nevertheless

(n) *Ward v. Duncombe* (1893), A. C., 369; 62 L. J., Ch., 881; 69 L. T., 121.

(o) *Timson v. Ramsbottom*, 2 Keen, 35; *Meux v. Bell*, 1 Hare, 73; *Ward v. Duncombe*, *supra*; and see generally as to the necessity of notice, and the rule in *Dearle v. Hall*, *ante*, p. 15.

prevails (*p*). It is manifestly, therefore, always advisable to give notice to all the trustees.

With a view of protecting trustees, a clause has been commonly inserted in trust instruments called the indemnity and reimbursement clause; but such a clause is now unnecessary, it being provided that a trustee shall, without prejudice to the provisions of the instrument, if any, creating the trust, be chargeable only for moneys and securities actually received by him, notwithstanding his signing any receipt for the sake of conformity, and shall be answerable and accountable only for his own acts, receipts, neglects or defaults, and not for those of any other trustee, nor for any banker, broker, or other person with whom any trust moneys may be deposited, nor for the insufficiency or deficiency of any securities, nor for any other loss, unless the same happens through his own wilful default; and may reimburse himself, or pay, or discharge out of the trust property, all expenses incurred in or about the execution of his trusts and powers (*q*). This provision does not, however, seem of any great value to trustees, for, without it, a trustee is, as has already been stated (*r*), entitled to reimburse himself all proper expenses out of pocket, and, as to indemnity, the provision is of a very general nature, and does not protect him from liability for breaches of duty. Practically the enactment only expresses the rule of the Court of Equity (*s*). In some instruments, however, a wider clause of indemnity is inserted, which may be so framed as to protect the trustee from all defaults other than his own personal misconduct (*t*). As to a

✓
Indemnity
and re-
imbursement
of trustees.

(*p*) *Re Wasdale, Britten v. Partridge* (1899), 1 Ch., 163; 68 L. J., Ch., 117; 79 L. T., 520; 47 W. R., 169.

(*q*) 56 & 57 Vict., c. 53, sec. 24, which is in substitution for the now repealed provision of 22 & 23 Vict., c. 35, sec. 31.

(*r*) *Anie*, p. 94.

(*s*) *Re Brier, Brier v. Evison*, 26 Ch. D., 238; 51 L. T., 133.

(*t*) *Wilkins v. Hogg*, 8 Jur. N. S., 25; *Pass v. Dundas*, 29 W. R., 332.

Employing a solicitor.

Re White, Pennell v. Franklin.

One of several trustees a solicitor.

trustee being entitled to be reimbursed expenses out of pocket, it must be borne in mind, in the absence of an express provision in the trust instrument to the contrary, that he is entitled to no more, nothing for his loss of time, or inconvenience, being allowed him. This rule is the same even if he is a solicitor, unless he is specially authorised by the trust instrument to make his charges; but even then the charges that he may make must be strictly professional (*u*), that is, for things which he could properly instruct a solicitor for, and not for ordinary work in connection with the trust, which he ought to do himself (*w*), unless indeed the words are so wide as to justify him in charging for other than strictly professional work (*x*). And even if a solicitor is appointed executor and trustee of a will with power to make his charges, he is not entitled to any profit costs as against the creditors if the estate proves insolvent (*y*). But without any express provision to that effect, trustees may always employ a solicitor for all things in respect of which it is reasonable to employ one, though not in the ordinary routine trust business; for, if they instruct a solicitor in matters of this kind, they are liable to have to pay the costs thus unnecessarily incurred out of their own pockets.

Where one of several trustees is a solicitor, he may be employed to act in any litigation in the matter of the trust, and may charge his ordinary

(*u*) *Clarkson v. Robinson* (1900), 2 Ch., 722; 69 L. J., Ch., 859; 83 L. T., 164; 48 W. R., 698.

(*w*) *Re Chapple, Newton v. Chapple*, 27 Ch. D., 584; 51 L. T., 748.

(*x*) *Re Ames, Ames v. Taylor*, 25 Ch. D., 72; 32 W. R., 287. It has been held that where a solicitor is appointed trustee or executor, by a will which authorises him to make his charges, he is deriving a benefit under the will, and if he attests the will his fate must be the same as that of any other beneficiary, that is, he must lose his benefit, and therefore he cannot in such a case make his charges. (*Re Pooley*, 40 Ch. D., 1; 58 L. J., Ch., 1), and see as to the effect of a subsequent codicil, *Re Trotter, Trotter v. Trotter* (1899), 1 Ch., 764; 68 L. J., Ch., 363; 80 L. T., 647.

(*y*) *Re White, Pennell v. Franklin* (1898), 1 Ch., 297; 67 L. J., Ch., 139; 77 L. T., 793; 46 W. R., 247.

costs, but this does not apply to business out of Court, *i.e.*, to conveyancing and other ordinary business, as opposed to litigious work (2). The reason for this distinction is, that the rule was originally established with regard to litigious business, and the Court has in later cases refused to extend it (a).

The mere fact that proceedings are instituted for the carrying out of a trust under the direction of the Court, does not take away the powers of a trustee; but when a judgment has been given in such proceedings, or when the Court thinks fit to grant an injunction restraining the trustees acting, then they have no further power without the Court's sanction. Thus, after judgment for administration, or carrying out of trusts under the Court's direction, a trustee cannot prosecute or defend legal proceedings, nor exercise a power of sale, nor do other similar acts without applying to the Court; nor can he claim, under a power conferred upon him by the trust instrument, to postpone the time of selling property which the Court thinks should be sold at once. His powers are, in fact, so far paralyzed that the authority of the Court must sanction every subsequent proceeding (b). But where a trust is discretionary in its nature, such discretion not relating to practical matters as to the mode of dealing with the property and carrying out the trust, but affecting the rights and interests of beneficiaries, the Court will not interfere with the discretion, unless exercised *mala fide*, or in a way incompatible with the trust (c).

Effect of institution proceedings on trustees' powers.

(2) *Craddock v. Piper*, 15 L. T., 61; *Re Corsellis, Lawton v. Elwes*, 34 Ch. D., 675; 56 L. L., Ch., 294; 56 L. T., 411; *Re Barber, Burgess v. Winnicombe*, 34 Ch. D., 77; 54 L. T., 375.

(a) See notes to *Re Corsellis, Lawton v. Elwes*, in Brett's Eq. Cas., 170.

(b) Lewin on Trusts, 710, 711; *Minors v. Battison*, 1 App. Cas., 428; Brett's Eq. Cas., 141.

(c) *Gisborne v. Gisborne*, 2 App. Cas., 300; Brett's Eq. Cas., 136.

Difficulties of trustees, and former statutory provisions for their assistance.

It is evident that the position of a trustee is one of considerable difficulty. He may often be in doubt either as regards the construction of the trust instrument, and his duties thereunder, or on some point of law, or on a practical matter as regards the proper and best course to be taken. Before any statute was passed for the assistance of a trustee, when questions of doubt or difficulty arose, his only absolutely safe course was to have the estate administered under the Court's direction. This he could do either by getting some beneficiary to institute proceedings against him for the carrying out of the trust under the Court's directions, or he could himself apply to the Court for that purpose, making one or more of the beneficiaries defendants. He then was clearly quite safe with regard to all his future acts. But a trustee ought certainly to hesitate before taking such a step as this, and if he did not take this step, his only other course was to obtain the best advice possible, and act in accordance with it; but still if the advice turned out to be wrong this did not absolve him from responsibility. Provisions were therefore made by the Trustee Relief Acts, 1847 and 1849 (*d*), by which under certain circumstances a trustee could pay trust money into Court with a view to the Court determining the point involved, and by Lord St. Leonard's Act (*e*), under which he could apply to the Court in a summary way for its opinion, or direction, on any question touching the management of the trust property. These statutes have now been repealed by the Trustee Act, 1893, which contains provisions similar to those contained in the Trustee Relief Acts, 1847 and 1849, but very properly contains no substitutionary provision for that formerly contained in Lord St. Leonard's Act,

(*d*) 10 & 11 Vict., c. 96; 12 & 13 Vict., c. 74.

(*e*) 22 & 23 Vict., c. 35, sec. 30.

because of the assistance provided by Order LV., rule 3, as presently mentioned (*f*).

The Trustee Act, 1893 (*g*), provides that trustees (which expression includes trustees under express, implied, and constructive trusts (*h*)), or the majority of them, having in their hands, or under their control, money or securities belonging to a trust, may pay the same into the High Court of Justice with a view to the same being dealt with as the Court may order; and if there are several trustees, and they do not all agree on this course of action, the Court may order the payment into Court by the majority. The object of this provision is, of course, to afford to persons occupying the position of trustees, a means, in the event of difficulties or disputes arising, of having the same removed, and freeing themselves from responsibility. The payment into Court being thus made, the trustees must forthwith give notice to the several persons interested, and any one or more of these persons then applies to the Court asking for the fund to be dealt with, or disposed of, as he contends it should be, and the Court then hears and determines the matter (*i*). A trustee is not, however, justified in putting his *cestuis que trustent* to this expense unless the circumstances present some real difficulty.

But the enactment just referred to is only of assistance to trustees when there is some definite fund which can be paid or transferred into Court, and there are therefore manifestly many cases in which it cannot be taken advantage of. A very full and

(*f*) *Post*, p. 112.

(*g*) 56 & 57 Vict., c. 53, sec. 42.

(*h*) Sec. 50.

(*i*) As to the practice hereon, see Indermaur's Manual of Practice, 295-297.

satisfactory provision is, however, contained in Order LV., rule 3, of the Supreme Court of Judicature Rules, under which almost any question arising in the course of a trust may be determined. Under this provision an originating summons may be issued by trustees, or by any beneficiary, asking for the determination by the Court, without an administration of the trust, of any of the following questions or matters :—

- (A) Any question affecting the rights or interests of a person claiming to be creditor, devisee, legatee, next-of-kin, heir-at-law, or *cestui que trust*.
- (B) The ascertainment of any class of creditors, legatees, devisees, next-of kin, or others.
- (C) The furnishing of any particular accounts by the executors, or administrators, or trustees, and the vouching (when necessary) of such accounts.
- (D) The payment into Court of any money in the hands of the executors, or administrators, or trustees.
- (E) Directing the executors, or administrators, or trustees to do, or abstain from doing, any particular act in their character as such executors, or administrators, or trustees.
- (F) The approval of any sale, purchase, compromise, or other transaction.
- (G) The determination of any question arising in the administration of the estate or trust (*k*).

Sometimes optional to resort to Trustee Act, 1893, or to Order LV., rule 3.

There are many cases in which it must be for the trustees to determine whether it is best for them to have recourse to Order LV., rule 3, or to pay the money into Court, under the Trustee Act, 1893; and either mode of procedure, if available, will be

(*k*) See as to the Practice under Order LV., rule 3, Indermaur's Manual of Practice, 306-308.

equally operative and effectual, for a trustee acting in accordance with the Court's directions is absolutely protected. But a trustee is not justified in putting his *cestuis que trustent* to the expense necessarily involved by either course, unless the circumstances present some real difficulty. The fact that an application has been made under Order LV., rule 3, does not interfere with or control any power or discretion vested in a trustee, except so far as any such interference or control may necessarily be involved in the particular relief sought (l).

A further provision has recently been made for the relief of trustees, who, acting honestly and reasonably, nevertheless find that they have committed a breach of trust. It is provided by the Judicial Trustee Act, 1896 (m), that if it appears to the Court that a trustee, whether appointed under that Act or not (n), is or may be personally liable for any breach of trust, whenever the same occurred, but has acted honestly and reasonably (o), and ought fairly to be excused both for the breach of trust and for omitting to obtain the directions of the Court in the matter in which he committed such breach, then the Court may relieve the trustee, either wholly or partly, from personal liability for the same. It will be observed that, for a trustee to get relief under this provision, he must show that he has acted both honestly and reasonably, and whether the Court relieves him, or not, is entirely a matter in its discretion, and must depend on the circumstances of each particular case (p).

Relief
sometimes
obtainable
under the
Judicial
Trustee Act,
1896.

(l) Order LV., rule 12.

(m) 59 & 60 Vict., c. 35, sec. 3.

(n) As to the appointment of a Judicial trustee under this Act, see *ante*, p. 67.

(o) See *Perrins v. Bellamy* (1899), 1 Ch., 797; 68 L. J., Ch., 397; 80 L. T., 478; 47 W. R., 417.

(p) *Re Turner, Barker v. Ivimey* (1897), 1 Ch., 536; 66 L. J., Ch., 282; 76 L. T., 116; *Re Grindley, Clews v. Grindley* (1898), 2 Ch., 593; 67 L. J., Ch., 624; 79 L. T., 105; 47 W. R., 53.

The ending of
trustees' duties.

When trustees' duties come to an end, they should require their *cestuis que trustent* to give them a release; and though they cannot demand a release under seal, that is a matter of small importance. They should render to their *cestuis que trustent* the fullest accounts and information, and having done this they are entitled to demand a proper release. When a *cestui que trust* is *sui juris*, and is absolutely entitled, and has created no charge or incumbrance upon the property, he is entitled to have the trust property handed over, and conveyed to, and vested in him.

Trustee Act,
1893, and
Judicial
Trustee Act,
1896, set out
in Appendix.

In this chapter considerable reference has been made to the Trustee Act, 1893, which is a statute of a consolidating nature with regard to the position, powers, and duties of trustees. This statute is of such importance that the author has thought it advisable to set it out in full in the Appendix, and students, having first perused this chapter, are recommended to also go through, and thoroughly study, the Act of Parliament itself. The Judicial Trustee Act, 1896, will also be found set out in the Appendix, together with an Epitome of the Rules thereunder.

CHAPTER III.

OF THE ADMINISTRATION OF THE ESTATES OF
DECEASED PERSONS.

ON the decease of any person the first enquiry to be made is, naturally, whether he has died testate or intestate, and then, if testate, it is necessary to prove his will, and if intestate to obtain a grant of letters of administration. The executor, or administrator, has then the important duty cast upon him of properly administering or applying the estate of the deceased. Until lately his duties only extended to the personal estate, and he had nothing to do with the realty except, as regarded an executor, in two cases, viz., (1) where he was also a trustee of it, and (2) where the real estate was by the will charged with payment of debts, and there was no express provision made as to who was to have the power of sale, and the property was not devised to trustees for the whole of the testator's estate or interest therein. In this case, under the Law of Property Amendment Act, 1859 (g) the executor (r) had a power of sale for the purpose of raising the money to pay the testator's debts. Now, however, as regards deaths occurring on or after 1st January, 1898, by reason of the provisions contained in the Land Transfer Act, 1897, the executor or administrator is concerned also with the realty, other than copyholds. This statute enacts that where real estate (other than copyholds) is vested in any person without a right in any other person to take by survivorship, it shall, on his death, notwithstanding any testamentary

General points

Land Transfer
Act 1897,
Part I.

(g) 22 & 23 Vict., c. 35, sec. 16 (Lord St. Leonard's Act).

(r) This provision does not apply to an administrator with the will annexed (*Re Clay & Tetley*, 16 Ch. D., 3; 43 L. T., 403).

disposition, devolve to and become vested in his personal representatives, from time to time, as if it were a chattel real, and all enactments and rules in respect of matters in relation to the administration of personal estate shall apply to such real estate, and the powers, duties, and liabilities of personal representatives in respect of personal estate shall apply to such real estate so far as the same are applicable, as if that real estate were a chattel real vesting in them, save that it shall not be lawful, for some or one only of several joint personal representatives, without the authority of the Court, to sell or transfer real estate. Subject to this, the personal representatives are to hold the real estate as trustees for the persons beneficially entitled thereto, who may in due course require and compel transfer to them (s).

Comments
on this
enactment.

This is certainly a very important enactment; it appears to apply to every kind of property which is generally recognised amongst lawyers as real estate, *e.g.*, manors, advowsons, tithes, easements, and other incorporeal hereditaments (t). There must, however, be no right in any other person by way of survivorship. It will be observed that one of several personal representatives cannot, without the authority of the Court, sell or transfer real estate, and on this it has been held that if there are two executors and one only obtains a grant of probate, but the other has not renounced, the one who has proved cannot by himself make a title (u).

*Re Pawley &
London &
Provincial
Bank.*

Executor's
duties.

The executor or administrator proceeds to acquaint himself with all details relating to the deceased's

(s) 60 & 61 Vict., c. 65, Part I., secs. 1-3. Nothing in this Act is to alter the order in which real and personal assets are applied, Sec. 2 (3); see hereon, *post*, pp. 140, 141.

(t) Robbins & Maw's *Devolution of Realty and Administration of Assets*, 47.

(u) *Re Pawley & London & Provincial Bank* (1900), 1 Ch., 58; 69 L. J., Ch., 6; 81 L. T., 507; 48 W. R., 107.

estate, getting it in, and generally exercising all proper controlling powers, bearing in mind that he is now the person responsible, and though he has a period of one year within which to wind up the estate, called the executor's year, yet he should not, if it can be avoided, so extend the period of his administration, but should use all reasonable expedition. He should press for the payment of outstanding debts, and if his demand is not complied with in a reasonable time, he should enforce payment by legal proceedings, and his only excuse for neglecting to take such proceedings is a well-founded belief that such action would be useless, and the burden of proving that such belief was well founded is on him (*iv*). If through his neglect a debt is lost, he is guilty of a *derustarit*.

Executor's year.

Suing for outstanding debts.

An executor is ordinarily only justified in carrying on his testator's business so far as may be necessary for realization thereof; thus he is not bound to close the business immediately, but he may keep it on for a reasonable time, and endeavour to sell it as a going concern. Where the testator's will expressly or impliedly authorizes the carrying on of the business it is, however, different, for the executor is entitled then to carry it on, and to be duly indemnified out of the estate; but where the testator has only authorized a certain portion of his estate to be devoted to the business, then the executor's right of indemnity will only extend to such portion of the estate. And this right of indemnity is subject to the rights of those persons who were creditors of the testator at the time of his death, unless, indeed, they have assented to the business being carried on, in which case the executors are entitled

Executor carrying on testator's business.

Re Gorton, Dewese v. Gorton.

(iv) *Re Brogden, Billing v. Brogden*, 38 Ch. D., 546; 59 L. T., 659; 37 W. R., 84; *Re Roberts, Knight v. Roberts*, 76 L. T., 479.

to indemnity even against them (x). The executors, whilst carrying on the business of their testator, are liable personally to creditors, unless such creditors have agreed to look only to the testator's estate; but if it was proper for the executors to carry on the business, then if the creditors prefer to go against the estate instead of against the executors, there is nothing to prevent them doing so as against assets acquired since the testator's death, or against the assets of the testator which were existing at his death, and which were lawfully employed in carrying on the business, subject, however, as regards these, to the rights of creditors of the testator (y). A further limitation also exists on this right of the creditors to go in a direct way against the assets of the testator authorized to be employed in the business, and that is, that if the executor is himself indebted to the estate, as he could not get indemnity without making good his default, the creditors are in no better position, and are, therefore, not entitled to have their debts paid out of the estate unless the default is first made good (z).

*Re Johnson,
Shearman v.
Robinson.*

Liabilities of
deceased.

As to the liabilities of the deceased, the executor or administrator must be careful to ascertain them, and if he distributes the estate without either having it administered by the Court, or advertising for creditors under the Law of Property Amendment Act, 1859, as presently mentioned, he will be personally liable for any legal claims that may afterwards be made. It is, therefore, very common for an executor or administrator to take advantage

Advertising
for creditors.

(x) *Re Gorton, Dowse v. Gorton* (1891), A. C., 190; 60 L. J., Ch., 64 L. T., 809; *Re Millard, Ex parte Yates*, 72 L. T., 823

(y) *Ibid.*

(z) *Re Johnson, Shearman v. Robinson*, 15 Ch. D., 548; 49 L. J., Ch., 745; 43 L. T., 372.

of the Law of Property Amendment Act 1859 (a), which provides that where he shall have advertised in the same way as would be done by the Court in an administration suit (b), for creditors and others to come in and prove their claims, he may, at the expiration of the period named in such advertisements, distribute the assets, having regard only to the claims of which he has notice, and shall not then be liable. This enactment goes on to provide that this shall not prejudice the rights of any creditor, or claimant, to follow the assets into the hands of the person, or persons, who may have received the same respectively. This provision applies to claims of next-of-kin as well as to claims of creditors, and affords protection to the sureties in an administration bond, where the administrator has pursued the course prescribed (c). With regard to realty, which, as before stated, now passes to the personal representatives by virtue of the Land Transfer Act, 1897, it has recently been held that if the personal representatives have so advertised for creditors, and they then assent to a devise, or convey to the heir, there is no right on the part of creditors of whose claims the personal representatives had no notice when they so assented or conveyed, to follow the real estate into the hands of a purchaser from the devisee, or heir-at-law, and require payment thereof (d).

*Re Cary &
Lott.*

By the Trustee Act, 1893 (e), it is provided that an executor or administrator may pay or allow any

Executor
compounding
debts, &c.

(a) 22 & 23 Vict., c. 35, sec. 29 (Lord St. Leonard's Act).

(b) See Indermaur's Manual of Practice, 243, and see hereon *Re Bracken, Doughty v. Townson*, 43 Ch. D., 1; 59 L. J., Ch., 18; 61 L. T., 531.

(c) *Newton v. Sherry*, 1 C. P. D., 246; 45 L. J., C. P., 257.

(d) *Re Cary & Lott's Contract* (1901), 2 Ch., 463; 70 L. J., Ch., 653; 84 L. T., 859.

(e) 56 & 57 Vict., c. 53, sec. 21, which is in substitution for the provision of 44 & 45 Vict., c. 41, sec. 37, which is repealed by this Act.

debt or claim on any evidence that he thinks sufficient, and that he may, if he thinks fit, accept any composition or security for any debt, and may allow time for payment thereof; and may compromise, compound, abandon, submit to arbitration, or otherwise settle any debt, account, claim, or thing relating to the testator's estate, and may do such acts as may be necessary or expedient therefor, without being responsible for any loss occasioned by anything so done by him in good faith. This provision applies to executorships and administrators constituted or created either before or after the commencement of the Act, but only so far as a contrary intention is not expressed. It may be observed generally, that an executor's powers are joint and several (*f*), so that if there are several executors one can act without the other (*g*), and therefore, if several executors join in giving a receipt, there is a presumption that each has received, and is responsible for the money, though that presumption is capable of being rebutted (*h*); but no such presumption arises in the case of trustees, by reason merely of their having joined in giving a receipt, for their powers are joint only. Further, the Trustee Act, 1893 (*i*), expressly provides that a trustee shall be chargeable only with moneys and securities actually received by him, notwithstanding his signing any receipt only for conformity, and shall be answerable and accountable only for his own acts, receipts, neglects, or defaults. The same Act (*k*) also

Executors' powers are joint and several.

Trustee Act, 1893.

(*f*) See, however, as to realty under the Land Transfer Act, 1897, *ante*, p. 116.

(*g*) See *Re Macdonald, Dick v. Fraser* (1897), 2 Ch., 181; 66 L. J., Ch., 630; 76 L. T., 713, where one of three executors gave an acknowledgment of a debt, which would but for it have been statute barred, and it was held that the acknowledgment revived the debt which could by reason of it be claimed against the testator's estate.

(*h*) *Brice v. Stokes*, 2 Wh. & Tu., 633, and notes.

(*i*) 56 & 57 Vict., c. 53, sec. 24.

(*k*) Sec. 22, which is in substitution for the now repealed provision *f* 44 & 45 Vict., c. 41, sec. 38.

provides that where a power or trust is given or vested in two or more trustees (which expression includes executors and administrators (*l*)) jointly, then unless the contrary is expressed, it may be exercised or performed by the survivor or survivors. This provision, however, only applies as regards instruments coming into operation after 31st December, 1881.

There are, as is presently pointed out (*m*), certain priorities to be observed in the payment of the debts of a deceased person in the administration of an estate by the Court, and these priorities must be observed by an executor or administrator, for if he pays creditors of a lower degree first, he must, on deficiency of assets, answer those of a higher degree out of his own estate; and he is bound to plead a debt of a higher nature in bar of an action brought against him for a debt of inferior degree if he has not assets available for both, otherwise it will be an admission of assets sufficient to satisfy both debts (*n*). But there is nothing to prevent an executor or administrator paying one creditor of the same degree before another, and this is so even although an action has been commenced by a creditor against the executor or administrator for the purpose of recovering his debt (*o*). With regard to specialty and simple contract creditors, although it is provided by Hinde Palmer's Act (*p*) that a specialty creditor shall not be entitled to any priority over a simple contract creditor, yet an executor or administrator must not pay a simple contract debt in priority to a specialty debt of the deceased (*q*). An executor or

Executor must observe priorities.

But an executor may prefer one creditor to another of the same degree.

Re Hankey.

(*l*) 56 & 57 Vict. c. 53, sec. 50

(*m*) *Post*, pp. 133, 136.

(*n*) Williams on Executors, 993.

(*o*) *Vibart v. Coles*, 24 Q. B. D., 364; 59 L. J., Q. B., 152; 62 L. T., 551.

(*p*) 32 & 33 Vict., c. 46.

(*q*) *Re Hankey, Smith v. Hankey* (1900), 1 Ch., 541; 68 L. J., Ch., 242; 80 L. T., 47; 47 W. R., 444, where the case of *Re Orsmond, Drury v. Orsmond* (58 L. T., 24) deciding the contrary was not followed.

Executors may pay a statute-barred debt.

Re Rownson.

But not after judgment for administration.

Retainer by executor.

administrator is justified in even paying a statute-barred debt, and this has, comparatively recently, been thoroughly recognised by the Court of Appeal. The Court, however, spoke of it as being an anomaly, and an exception to the general rule as to the duties of executors and administrators, and, therefore, not to be extended, and, in the case in question, held that a payment by an executor or administrator of a claim against his deceased's estate, arising under a contract which, by reason of not being in writing, was, by the Statute of Frauds, rendered unenforceable, would amount to a *devastavit* (r). But the right of an executor or administrator to prefer one creditor to another, and to pay statute-barred debts, is taken away when there has been a judgment for administration by the Court, or even before then by the appointment of a receiver. But it is not taken away by the mere institution of administration proceedings, nor by an order for accounts under Order XV. (s); and it has been held that a plaintiff in a creditor's administration suit is not entitled, before judgment, to obtain the appointment of a receiver merely for the purpose of preventing the executor or administrator exercising his right of preference (t).

With regard to any debt which may be owing by the deceased to the executor personally (u) he has always his right of retainer, which he may exercise out of moneys in his hands, or he may even exercise it as regards assets, other than cash, by retaining them *in specie* (w). This right is said to have arisen from

(r) *Re Rownson*, *Field v. White*, 28 Ch. D., 358; 54 L. J., Ch., 950; 52 L. T., 825; Brett's Eq. Cas., 165.

(s) *Re Barratt*, *Whitaker v. Barratt*, 43 Ch. D., 70; 59 L. J., Ch., 218; 38 W. R., 59. See as to Order XV., Indermaur's Manual of Practice, 263, 264.

(t) *Re Harris*, *Harris v. Harris*, 56 L. J., Ch., 754; 56 L. T., 507; 35 W. R., 710.

(u) See *Re Richards*, *Lawson v. Harvey* (1901), 2 Ch., 399; 70 L. J., Ch., 699.

(w) *Re Gilbert* (1898), 1 Q. B., 282; 67 L. J., Q. B., 229; 77 L. T., 775.

the executor's inability to sue himself (*x*), and it exists even in respect of a debt barred by the Statute of Limitations (*y*). The same reasoning gives an administrator an equal right of retainer, but it is now the practice of the Court to require any creditor administrator, before taking administration, to enter into a bond with two sureties, in which it is provided that he shall not prefer himself (*z*). This, therefore, deprives him of any right of retainer; but if administration is granted to a person as next-of-kin, and there happens to be a debt owing to him, then he, not having given a bond in these terms, has the same right of retainer as an executor (*a*). This right of retainer exists only out of strictly legal assets, and probably, notwithstanding the Land Transfer Act, 1897, there is no right to retain out of real estate (*b*). It is allowed only as against creditors of equal degree, and is a right not to be extended, so that notwithstanding that now by Hinde Palmer's Act (*c*), specialty and simple contract creditors rank equally, yet if the executor is a simple contract creditor, he cannot retain against a specialty creditor (*d*). The right is not, however, lost by judgment in an administration action, even though the money may be in Court (*e*), nor by an order for administration in bankruptcy being made under

Retainer by
administrator.

Walters v.
Walters.

(*x*) *Walters v. Walters*, 18 Ch. D., 182; 50 L. J., Ch., 819; 44 L. T., 769.

(*y*) *Trevor v. Hutchins* (1896), 1 Ch., 844; 65 L. J., Ch., 738; 74 L. T., 470.

(*z*) In *Davies v. Parry* (1899), 1 Ch., 602; 68 L. J., Ch., 346; 47 W. R., 429, it was decided that the form of bond then in use did not produce this result, but the form has since been altered. See also *Re Belham* (1901), 2 Ch., 52; 70 L. J., Ch., 474; 84 L. T., 440; 49 W. R., 498.

(*a*) *Re Beeman, Fowler v. James* (1896), 1 Ch., 48; 65 L. J., Ch., 190; 73 L. T., 555.

(*b*) *Robbins & Mawe*, 175.

(*c*) 32 & 33 Vict., c. 46.

(*d*) *Walters v. Walters*, 18 Ch. D., 182; 50 L. J., Ch., 819; 44 L. T., 769; *Wilson v. Coxwell*, 23 Ch. D., 764; 52 L. J., Ch., 976.

(*e*) *Nunn v. Barlow*, 1 S. & S., 588; *Ex parte Campbell, Campbell v. Campbell*, 16 Ch. D., 198; *Richmond v. White*, 12 Ch. D., 361; 48 L. J., Ch., 798.

Section 125 of the Bankruptcy Act, 1883 (*f*). If, however, in an administration suit the Court appoints a receiver, then the right is lost as regards any moneys coming to the hands of such receiver, or of the executor, after the receiver's appointment. The reason of this is because the appointment of a receiver could only take place with the executor's consent, or in consequence of his misconduct (*g*), for the Court will not interfere with an executor's right of retainer by appointing a receiver in an administration suit merely because the executor will probably exercise his right to the prejudice of the general body of creditors (*h*).

Executors' procedure.

An executor should first pay the reasonable and proper funeral expenses of his testator (*i*), and then all debts in the order presently mentioned, and next proceed to pay the various legacies (*k*), bearing in mind the rules as to lapse, ademption, and priority respectively.

Legacies.

Legacies may be either general, specific, or demonstrative. A general legacy is one given out of testator's estate generally, and not comprising any specific portion of it, *e.g.*, "I give £100 to A." A specific legacy is a gift of some special portion of the testator's estate, *e.g.*, "I give my diamond ring to A." A demonstrative legacy is a gift of a general nature, but payable primarily out of some special

(*f*) *Re Rhoades* (1899), 2 Q. B., 347; 68 L. J., Q. B., 804; 80 L. T., 742; 47 W. R., 561. As to this see *post*, p. 138.

(*g*) *Re Jones, Calvert v. Laxton*, 31 Ch. D., 440; 55 L. J., Ch., 350; 53 L. T., 855.

(*h*) *Re Wells, Molony v. Brooke*, 45 Ch. D., 569; 59 L. J., Ch., 810; 63 L. T., 521.

(*i*) Williams on Executors, 992. This does not include mourning for testator's widow and family (*Re Owens, Owens v. Green*, 87 *Lancet* Times Newspaper, 113).

(*k*) An executor may set off a debt owing by a legatee against a pecuniary legacy, whether general or specific, but not against a specific devise, or bequest of leaseholds, or of chattels (*Re Taylor, Taylor v. Wade* (1894), 1 Ch., 671; 63 L. J., Ch., 424; 70 L. T., 556).

portion of the testator's estate, *e.g.*, "I give £100 to A, payable out of my £500 consols." By a lapse is meant the failure of a bequest by the death of the legatee during the testator's lifetime (*l*). By ademption is meant the failure of a specific bequest by the disposal of the subject matter thereof by the testator during his lifetime. As to the priorities of legacies, specific legacies must, of course, be paid so long as the specific property is existing and is not required to pay debts, and this rule also applies to demonstrative legacies, whilst the fund exists which is demonstrated or pointed out for payment. General legacies are naturally paid rateably, and, if there is an insufficiency of assets, they abate or fail in proportion, and this is so also with regard to demonstrative legacies when the primary fund has ceased to exist. A specific legacy is said to possess the disadvantage of being liable to ademption; a general legacy is said to possess the disadvantage of being liable to abatement; but a demonstrative legacy possesses the advantages of both, in that, whilst it has priority if the particular fund exists, yet if such fund does not any longer exist, there is no ademption, but it is paid as a general legacy.

A legacy may be either vested, that is one which will be paid in all events, even though the time of payment is postponed; or contingent, that is one which will not be paid unless a certain contingency happens (*m*). If a legacy, payable only out of personal estate, is bequeathed to an infant "payable" or "to be paid" at the age of 21 years, it is a vested legacy, the time of payment only being postponed, so that it will go to the personal representatives of the infant though he dies before that age. If,

(*l*) See 1 Vict., c. 26, secs. 32, 33, providing that there shall be no lapse in two cases. See also Indermaur's Conveyancing, 507-511.

(*m*) L. C. Convyg., 449.

Distinction
between
purely
personal
legacies, and
legacies
charged on
land.

however, a legacy is bequeathed to an infant "at" 21 or "if" or "when" he shall attain the age of 21, this is on a contingency, and if the legatee dies before the appointed age the legacy fails, and does not go to the personal representatives, unless interest is given in the meantime, when it is otherwise (*n*). In considering this subject, it must, however, be borne in mind that there is an important difference between purely personal legacies, and legacies which are charged on real estate, a difference which is accounted for by the fact that in deciding on the validity and interpretation of purely personal legacies, the Courts in general follow the rules of the Civil Law, as they were recognised and acted on in the Ecclesiastical Courts which had jurisdiction over such matters; but as to the validity and interpretation of legacies charged on land, they generally follow the rules of the Common Law. As regards legacies charged on land, therefore, and payable *in futuro*, although they may be said to be vested in one sense, yet the rule is that if the postponement is with reference to some event personal to the legatee, then, if that event never happens, the legacy is not to be raised out of the land. Thus take two cases of legacies charged on land and both payable *in futuro*: (1) Legacy to be raised and paid to A out of Whiteacre on A's attaining 21; (2) Legacy to A to be raised and paid out of Whiteacre on the death of B, to whom Whiteacre is devised for life. The payment of the legacy is postponed in the first case from regard to a circumstance personal to the legatee, and if he dies before 21, it will not be raised and paid, but will sink into the land for the benefit of the inheritance; but in the second case the postponement has regard to the circumstances of the estate,

(*n*) *Stapleton v. Cheales*, L. C. Conv., 438; *Hanson v. Graham*, L. C. Conv., 44; *Re Jobson, Jobson v. Richardson*, 44 Ch. D., 154; 59 L. J., Ch., 245; 62 L. T., 148.

and it is considered that the testator meant it to be raised and paid in all events on the death of the tenant for life, though A might be then dead (o).

The fact that a legacy is given for some particular purpose, does not render it contingent and prevent the legatee or his representatives receiving it, if that object cannot be accomplished; for the expressing the purpose is only showing the motive which has led the testator to make the bequest, and is mere surplusage. Thus, if a legacy is given to an infant to apprentice him, and he dies before he is apprenticed, his representatives will still get the legacy (p). In one case a testator gave money to trustees upon trust to spend the same in planting trees upon a settled estate. It was proved that, from the position and natural character of the property, it could not be planted with trees with profit or advantage; and it was held that the gift was intended for the benefit of the owners of the estate, and that the persons absolutely entitled thereto, were entitled also to the money free from any condition (q).

Expressing motive of bequest does not render it contingent.

Re Bowes.

In the absence of any direction on the point, the general rule is, that legacies carry interest at the rate of 4 per cent. (r) per annum after the lapse of one year from the testator's death. But in the following cases they carry interest from the date of the testator's death, viz.: (1) A legacy charged on land; (2) A legacy to a child or person towards whom the testator has placed himself in *loco parentis* when there is no

Interest on legacies.

(o) See *Prideaux's Conveyancing*, Vol. II., 519.

(p) *Smith's Manual*, 93.

(q) *Re Bowes, Earl of Strathmore v. Vane* (1896), 1 Ch., 507; 65 L. J., Ch., 298; 74 L. T., 16.

(r) This is not affected by the decision in *Rowlls v. Bebb* (1900), 2 Ch., 107, *ante*, pp. 73, 92; see judgment of Lord Justice Lindley in that case.

provision in the will for such person's maintenance during infancy; (3) A legacy given in satisfaction of a debt, which debt itself bore interest; and (4) A specific legacy, and also a demonstrative legacy so long as it remains specific, carry with them their interest or profits from the date of the death (s).

Donatio mortis causâ.

Essentials.

Cain v. Moon.

Partly resembles a gift *inter vivos* and partly legacy.

It is sometimes necessary for an executor or administrator to consider his position with regard to a *donatio mortis causâ*, which may have been made by the deceased. A *donatio mortis causâ* is a gift of personal property made by a person who apprehends that he is in peril of death at the time, and is evidenced by a delivery of the property, or the means of obtaining the possession thereof, to the donee, and a condition accompanies the gift, that it is revocable at pleasure, and it is necessarily revoked if the donor recovers. Delivery, words of gift, an expectation of death, and an intention on the part of the donor that the chattel shall revert to him in case of his recovery, are therefore the essential features of a *donatio mortis causâ*; but just as in an ordinary gift, the delivery may precede, or be contemporaneous with, or may follow, the words of gift (t). A delivery to a bailee for the donee is sufficient, but a delivery to an agent for the donee with directions to deliver to the donee after the death of the donor will not do (u). A *donatio mortis causâ* possesses some of the elements of a gift *inter vivos*, and some of the elements of a bequest. True, it vests in the donee, quite irrespective of the executor, by the delivery in the deceased's lifetime, and technically no assent on the executor's part is required to perfect the donee's title, so that to this extent it resembles a gift *inter vivos*; but, on the other hand, it is revocable, it is

(s) Snell's Eq., 177, 178.

(t) *Cain v. Moon* (1896), 2 Q. B., 283; 65 Q. J., L. B., 587; 14 L. T., 728.

(u) Goodeve's Personal Property, 91.

liable now to both estate and legacy duty, and it is subject to the debts of the donor if there is not otherwise a sufficiency of assets, so that for such a purpose it may be the executor's or administrator's duty to claim the subject of the *donatio* back from the donee. Again, it may be an imperfect, and therefore ineffective, *donatio* (*w*), or it may be of property not capable of being made the subject of such a gift. Thus, a railway certificate cannot be given by way of a *donatio mortis causâ* (*x*), nor can the deceased's own cheque unless cashed (*y*) or paid away for value (*z*) during his lifetime. But the cheque of a third person payable to the deceased, or a promissory note, or bill of exchange, payable to him, may be given in this way, even although not endorsed by him (*a*); and so may a banker's deposit note for money deposited at the bank by the donor (*b*).

Other matters, which it may be necessary for the executor or administrator to consider, are embraced in the doctrines of Election, Satisfaction, Performance and Conversion, matters which are dealt with hereafter (*c*).

Satisfaction,
Election,
Performance,
and Con-
version.

The whole property of a deceased person is now assets available for payment of his debts, though formerly it was not so altogether as regards land. Originally freehold land was only liable when it was left to descend, and then only for debts of record and specialties in which the heir was bound, and this rule

Property or
assets
available for
payment of
debts.

(*w*) See *Treasury Solicitor v. Lewis* (1900), Ch., 872; 69 L. J., Ch., 833; 83 L. T., 139.

(*x*) *Moore v. Moore*, L. R., 18 Eq., 474.

(*y*) *Hewett v. Kay*, L. R., 6 Eq., 198.

(*z*) *Rolls v. Pearce*, 5 Ch. D., 730; 46 L. J., Ch., 791.

(*a*) *Clements v. Cheeseman*, 27 Ch. D., 631; 54 L. J., Ch., 158; 33 W. R., 40.

(*b*) *Re Dillon, Duffin v. Duffin*, 44 Ch. D., 76; 59 L. J., Ch., 420; 62 L. T., 614; *Re Mead, Austin v. Mead*, 15 Ch. D., 651; Brett's Eq. Cas., 31. See further as to a *donatio mortis causâ*, *Ward v. Turner*, 1 Wb. & Tu., 390, and notes.

(*c*) See *post*, Part III., Chaps. 1, 2, and 3.

of the heir being bound did not extend to copyholds descending to him. No such liability attached to land in the possession of a devisee until the "Statute of Fraudulent Devises" (*d*), which provided that where a deceased person had devised any real estate without making it subject to the payment of his debts, the devisee should be liable to be charged in respect of the real estate so devised in the same manner as the heir. Thus, freeholds became completely legal assets at Common Law in respect of debts of record and specialties in which the heir was bound, and the remedy was by an action against the heir or devisee. Still, no remedy existed in any way against the real estate of a deceased person for simple contract debts. but amendments were made by statutes it is now unnecessary to refer to, until finally in 1833 real estate of a deceased person, including copyholds, was made liable to be administered in equity for payment of all his debts, a priority being, however, given to creditors by specialty in which the heirs were bound (*e*), a priority which was subsequently abolished (*f*).

3 & 4 Wm. IV.,
c. 104.

Land Transfer
Act, 1897.

It is necessary to consider here the practical effect of the Land Transfer Act, 1897, upon this subject. Real estate (except copyholds) now vests in the personal representatives, and is to be applied and administered as if it were chattels real; and the effect appears to be that the heir-at-law, or devisee, can in no case now be made liable in respect of the land by means of an action brought against him to recover the debt. but the proceedings to make the land available must be against the personal representatives (*g*). As to

(*d*) 3 Wm. & M., c. 14; *Re Illidge, Davidson v. Illidge*, 27 Ch. D., 478; 53 L. J., Ch., 991; 51 L. T., 523. See also 11 Geo. IV. and 1 Wm. IV., c. 47, as to the position of a devisee who alienates.

(*e*) 3 & 4 Wm. IV., c. 104 (Lord Romilly's Act).

(*f*) 32 & 33 Vict., c. 46.

(*g*) *Robbins & Mawe*, 106, 128. The point, however, cannot be considered free from doubt.

copyhold lands, they never were liable as assets by descent, to the payment of the debts of their deceased owner. Being held at the will of the lord merely, they were not within the Common Law rule relating to freehold estates of inheritance, nor has any Common Law right of action been conferred by statute upon creditors against the customary heir or devisee in respect of such estate (*h*). They, therefore, are naturally assets to be administered in equity, under the provisions of 3 & 4 Wm. IV., c. 104.

It has, however, of course always been open to a person by his will to devise his real estate for the payment of his debts, or to charge his real estate with payment of his debts, thereby constituting the same an ancillary fund for payment of debts, applicable when the personal estate has been exhausted. When this was done the land always constituted assets to be administered by the Court of Equity; and the Court, to prevent injustice to creditors, laid it down as a rule, that a mere general direction by a testator that his debts should be paid, constituted a charge of such debts on his real estate. This is so now subject to two exceptions, (1) When the testator after a general direction for payment of debts has specified a particular fund for that purpose, and (2) Where the debts are directed to be paid by the executors who are not at the same time devisees of his real estate, for in such a case the presumption is that the debts are to be paid exclusively out of the assets which come to them as executors (*i*). At the present day, however, having reference to the provisions of the Land Transfer Act, 1897, and assuming what is stated in the next paragraph to be

Charging real estate with payment of debts.

(*h*) Robbins & Mawe, 105, 106.

(*i*) Snell's Eq., 245. It would seem that this second exception will cease to exist as regards deaths on or after 1st January, 1898, by reason of the provisions of the Land Transfer Act, 1897 (Part I.). The point is, however, one of no practical importance.

correct, there does not appear to be any practical importance in the point of whether a testator has, or has not, charged his real estate with payment of his debts.

Distinction
between
legal and
equitable
assets.

Assets or property of a deceased person are therefore of two kinds, legal and equitable, a distinction which must still be noticed, although nearly all practical importance with regard to it has now ceased, as will be presently pointed out. Shortly stated, the distinction is this, that where assets devolve upon the executor *ex virtute officii*, then they are said to be legal assets, that is assets available at law for payment of debts; but when they come to him under an express devise, trust, or charge, or when for any other reason creditors can only get paid through the assistance of equity, then they are said to be equitable assets—the distinction, therefore, refers to the remedy of the creditor, and not to the nature of the property (*k*). It would appear that by reason of the formerly existing rule, and the Land Transfer Act, 1897, all real estate now constitutes equitable assets (*l*). Assuming this to be correct, personal representatives will commonly have two distinct kinds of assets to be disposed of by them in payment of debts, the one consisting of money and other personalty, and constituting legal assets, and the other consisting of real estate, and constituting equitable assets; and in the disposal of these assets they must have regard to the rules recognised and enforced by Courts of Equity as to the administration of legal and equitable assets respectively.

(*k*) Story, 362; *Cook v. Gregson*, 3 Drew, 547.

(*l*) See hereon Robbins & Mawe, 124, 128, 160. The point cannot, however, be considered altogether free from doubt. It is possible that the view may be taken that the Land Transfer Act, 1897, makes real estate devolving on the personal representatives legal assets.

With regard to the payment of debts out of legal assets, the Court, in the administration of an estate, has always observed certain priorities, paying the debts in the following order:—(1) Debts due to the Crown by record or specialty; (2) Debts preferred by particular statutes (*m*); (3) Judgment debts (*n*); (4) Debts due under recognizances, *e.g.*, from a receiver appointed by the Court; (5) Specialty debts and arrears of rent; (6) Simple contract debts, and unregistered judgments against the deceased, and also money due for dilapidations under the Ecclesiastical Dilapidations Act, 1871; (7) Voluntary bonds, unless assigned for value during the testator's lifetime, when they stand on the same footing as other specialty debts (*o*). The priority of specialty creditors was, however, abolished by *Hinde Palmer's Act* (*p*), and, therefore, from that time those debts numbered "5" and "6" in the foregoing list have been paid rateably.

Order for payment of debts out of legal assets.

Hinde Palmer's Act.

With regard to equitable assets, the rule of the Court of Equity has always been different to the rule observed as regards priorities in payment out of legal assets. The general principle is, and always has been, that there shall be no priorities, a matter which has been well explained as follows:—
 "Equitable assets were, in their origin, a trust fund for the payment of debts, and, unlike legal assets, consisted of such property as it was equally within the power of the testator to apply toward, or withhold

Position as regards payment out of equitable assets.

(*m*) *E.g.*, a debt due to a registered friendly society from its officer for money of the society in its possession (59 & 60 Vict., c. 25, sec. 35); or to a building society by its officer (4 & 5 Wm. IV., c. 40); or to a parish by the overseers of the poor (17 Geo. II., c. 38, sec. 3).

(*n*) For this priority to exist in respect of a judgment debt against the deceased, registration of the judgment was formerly necessary, but this is no longer so as from 1st July, 1901 (63 & 64 Vict., c. 26, secs. 5, 6).

(*o*) *Snell's Eq.*, 237.

(*p*) 32 & 33 Vict., c. 46.

from, the payment of his debts by the personal representative. Being, therefore, a fund for participation in which creditors were dependent upon the bounty of the testator, the rule of equal distribution was adopted by Courts of Equity, as being most in accordance with the presumed intention of the testator that all his debts should be paid" (q). However, with regard to creditors under voluntary bonds, the rule has always been that they must be paid last, even out of equitable assets.

The personal representative of a deceased must, therefore, in paying debts, consider whether the assets are legal or equitable, and observe the priorities in respect of legal assets, but pay all debts *pari passu* out of equitable assets, except voluntary bond debts. This is so equally whether the estate is solvent or insolvent, though of course in the former case the distinction is of no practical importance, as every one will be paid in full.

Provision of
Judicature
Act, 1875, as
to administra-
tion of
insolvent
estates by the
Court.

If, however, the estate is an insolvent one, and is being administered *by the Court*, the position is now considerably different by reason of the provisions of Section 10 of the Judicature Act, 1875 (r), which enacts that in the administration *by the Court* of the assets of deceased persons whose estates prove insolvent, the same rules shall prevail, and be observed (1) as to the respective rights of secured and unsecured creditors, (2) as to debts and liabilities provable, and (3) as to the valuation of annuities, and future and contingent liabilities respectively, as may be in force for the time being under the law of bankruptcy with regard to the estates of persons adjudged bankrupt. Now, in

(q) Robbins & Mawe, 182.

(r) 38 & 39 Vict., c. 77.

bankruptcy the rule has been, and is, that all debts (with some few exceptions, such as to some extent rates, taxes, wages, &c. (s)) are paid *pari passu*, a very different state of things to what existed in equity. So, also, there was a most important difference in the rules in equity, and in bankruptcy, regarding the position of a secured creditor. In equity the secured creditor had always been entitled to rest upon his security, and, at the same time, prove against the general estate for his debt, and receive dividends thereon, so only that he did not from the general estate, and from his security, receive more than 20s. in the £; whilst, in bankruptcy, the rule was that he must either relinquish his security, when he could prove for his whole debt, or realise his security and prove for the deficiency, or estimate his security at a certain amount and then prove for any deficiency.

Secured
creditor's
position.

The construction of the 10th section of the Judicature Act, 1875, has proved a matter of great difficulty. On one point, however, its effect was clear, viz., that the position of a secured creditor claiming in equity against an insolvent estate, was exactly assimilated to the position in bankruptcy. This must be carefully borne in mind. For a long time, however, the Courts declined to admit that the real effect of the enactment was to assimilate the position generally to what it was in bankruptcy, and to do away with any priorities that did not there exist, and to make any postponements that were made there (t). However, a different view gradually gained ground, and that this must now be taken to be the real meaning of the enactment is shewn by the cases referred to in the next paragraph.

Effect of
Section 10 of
Judicature
Act, 1875.

(s) 51 & 52 Vict., c. 62.

(t) See *Smith v. Morgan*, 5 C. P. D., 337; 49 L. J., Q. B., 410; *Re Maggi*, 20 Ch. D., 545; 51 L. J., Ch., 560; 46 L. T., 362.

*Re Leng, Tarn
v. Emmerson*

In *Re Leng, Tarn v. Emmerson* (*u*), the point involved was whether the provision of the Married Woman's Property Act, 1882 (*w*), postponing the claim of a wife (who has advanced money to her husband for the purposes of his trade), as a creditor in case of his bankruptcy, to the claims of his other creditors, was to be treated as a rule of bankruptcy which is imported by virtue of Section 10 of the Judicature Act, 1875, into the case of the administration by the Court of the husband's assets, in the event of his estate proving insolvent after his death. The Court held that the bankruptcy rule did apply, and that the wife's claim was postponed. In *Re Whitaker, Whitaker v. Palmer* (*x*), the point involved was whether a creditor claiming under a voluntary bond was, in proving against an insolvent estate being administered by the Court, postponed to other creditors. This, as has been pointed out, was always the equity rule, but there is not, and never has been, any such rule in bankruptcy, for there a creditor under a voluntary bond ranks with other creditors. The Court held that the bankruptcy rule applied, and that he was not postponed.

Re Whitaker

Practical
result.

The practical result must be that, in considering the priorities and rights of creditors in the administration by the Chancery Division of the High Court of Justice, of an insolvent estate, all the bankruptcy rules apply, and, that being so, in such a case the order for payment of debts stands as follows :—

1. Any debt due to a registered Friendly Society from its officer for money of the Society in his possession (*y*).

(*u*) (1895), 1 Ch., 652; 64 L. J., Ch., 468; 72 L. T., 407.

(*w*) 45 & 46 Vict., c. 75, sec. 3.

(*x*) (1901), 1 Ch., 9; 70 L. J., Ch., 6; 83 L. T., 449; 49 W. R., 106.

(*y*) 59 & 60 Vict., c. 25, sec. 35.

2. The debts to which preference is given by the Preferential Payments in Bankruptcy Act, 1888—that is, rates, taxes, wages, &c., as therein mentioned (*z*).

3. The general debts, whether by judgment, recognisance, or simple contract, and this even though the debt is created by a merely voluntary bond (*a*).

4. Debts specially postponed by statute, viz., money lent by a woman to her husband for the purposes of his business (*b*), and also the two debts mentioned in Section 3 of the Partnership Act, 1890 (*c*).

We may now conveniently summarize the various positions as to priorities of debts:—

Summary as to priorities.

1. Where the estate is being administered out of Court, or by the Court and the estate is solvent, if the assets are legal assets, the priorities to be observed are those detailed, *ante*, p. 133.

2. Where the estate is being administered out of Court, or by the Court and the estate is solvent, if the assets are equitable assets, all debts are paid *pari passu*, except that voluntary bonds are postponed.

3. Where the estate is insolvent and is being administered by the Court, then, whether the assets are legal or equitable, all the bankruptcy rules prevail, and the position is as detailed, *supra*.

It must, however, be observed in considering the meaning of Section 10 of the Judicature Act, 1875, that it does not in any way affect the question of what are the assets to be administered. None of the rules of bankruptcy have been imported into the administration by the Court of the insolvent estates of deceased persons, which, if adopted, would go

What bankruptcy rules do not apply.

(*z*) 51 & 52 Vict., c. 62; *Re Heywood* (1897), 2 Ch., 593; 67 L. J., Ch., 25; 77 L. T., 42.

(*a*) *Re Whitaker, Whitaker v. Palmer* (1901), 1 Ch., 9; 70 L. J., Ch., 6; 83 L. T., 449.

(*b*) 45 & 46 Vict., c. 75, sec. 3; *Re Leng, Tarn v. Emmerson* (1895), 1 Ch., 652; 64 L. J., Ch., 468; 72 L. T., 407.

(*c*) 53 & 54 Vict., c. 39. See this Act set out in Appendix.

to swell the assets. Thus, the provisions of the Bankruptcy Acts, 1883 and 1890, restricting the rights of creditors under executions, the provisions avoiding certain voluntary settlements executed by the bankrupt, the reputed ownership clause, and the provisions as to fraudulent preferences, do not apply to the administration by the Court of the insolvent estates of deceased persons (*d*).

Administra-
tion of the
estate of a
deceased
insolvent in
bankruptcy.

Although not a matter of great importance, it must be noticed that by the Bankruptcy Act, 1883 (*e*), as amended by the Bankruptcy Act, 1890 (*f*), it is provided that any creditor of a deceased person whose debt would have been sufficient to support a bankruptcy petition against such debtor had he been alive—that is if the debt is at least £50—may present to the Bankruptcy Court a petition praying for an order for the administration of the estate of the debtor according to the law of bankruptcy. The Court is not to make any such order unless satisfied that there is a reasonable probability that the estate will be insufficient for the payment of the debts owing by the deceased; but, upon the order being made, the property of the deceased person vests in the Official Receiver in Bankruptcy, who is to realise and distribute it in accordance with the provisions of Part III. of the Bankruptcy Act, 1883, relating to the administration of the property of a bankrupt, subject only to this, that he shall have regard to any claim by the personal representative for payment of proper funeral and testamentary expenses incurred in and about the debtor's estate (*g*), which are to be payable in full, in priority to all other debts. Beyond

(*d*) Robbins & Mawe, 225, 226.

(*e*) 46 & 47 Vict., c. 52, sec. 125.

(*f*) 53 & 54 Vict., c. 71, sec. 21.

(*g*) These words have been held to extend to costs, charges and expenses of the legal personal representative properly incurred in an administration action (*Re York, Atkinson v. Howell*, 36 Ch. D., 233; 56 L. J., Ch., 552; 56 L. T., 704).

this, however, the whole of the bankruptcy rules prevail, so far as they can reasonably be applied, but not further, so that, for example, it has been held that the provision as to avoiding voluntary settlements made within a certain period of bankruptcy (*h*) has no application (*i*). It is also provided that if administration proceedings have been commenced in the Chancery Division of the High Court, such Division may, on proof that the estate is insufficient to pay the debts, transfer the proceedings to Bankruptcy, and thereupon the Bankruptcy Court may make an order for administration, when the like consequences shall ensue as upon an administration order made on the petition of a creditor (*k*). Having reference, however, to the construction that has now been put upon the provisions of Section 10 of the Judicature Act, 1875 (*l*), as to the administration of an insolvent estate in the Chancery Division, the subject of administration in bankruptcy under Section 125 of the Bankruptcy Act, 1883, does not appear to be of much importance, as exactly the same results ensue whether it is administered in the Chancery Division or in bankruptcy. An administration in bankruptcy is of rare practical occurrence. Still, it may take place, either by means of an original petition, or by means of a transfer. As to the latter, it may be noticed that the power of transfer is a discretionary one, and may be exercised notwithstanding judgment for administration has been pronounced in the Chancery Division; but that it will not be exercised when the estate is small, the creditors are few, and considerable expense has already been incurred in the Chancery chambers in the proceedings

No advantage
in bankruptcy
administra-
tion.

(*h*) As to which see *ante*, pp. 38, 39.

(*i*) *Re Gould, Ex parte Official Receiver*, 19 Q. B. D., 92; 56 L. J., Q. B., 333; 56 L. T., 806.

(*k*) 46 & 47 Vict., c. 52, sec. 125, sub-sec. 4, as amended by 53 & 54 Vict., c. 71, sec. 21.

(*l*) See *ante*, pp. 136, 137, and the cases of *Re Leng, Tarn v. Emmerson*, and *Re Whitaker, Whitaker v. Palmer*, there quoted.

under an administration judgment (*m*). Generally the predominating considerations for the Court in determining whether a transfer shall be made or not, ought to be convenience, delay, and expense. The Court should have regard to the convenience of the creditors at large, and no great weight ought to be attached to the position of the particular creditor who applies for the transfer (*n*). It is difficult to see now how there can ever be any advantage in either commencing administration proceedings in bankruptcy, or in transferring them to bankruptcy.

Rights of
beneficiaries.

An important point to be considered in the administration of an estate is that of the rights of the various beneficiaries as amongst themselves. If the assets are ample there is no difficulty ; all the debts will be paid, and then, in their proper order, the beneficiaries ; but it is manifest that, when the estate is insufficient to pay all the creditors, and also all the devisees and legatees, some of the beneficiaries must suffer, and the question then presents itself, as between the beneficiaries, what is the order in which the assets are to be applied for the payment of the deceased's debts ? The shortest plan will be to first give a list comprising the general order in which the assets are to be applied, which is as follows :—

Order in
which assets
to be applied.

1. The general personal estate, or residuary personality, unless exempted expressly or by plain implication.

2. Any estate particularly devised for payment of debts, and only for that purpose.

3. Real estate not charged with payment of debts, and which descends to the heir, or would do so but for the Land Transfer Act, 1897.

(*m*) *Re Weaver, Higgs v. Weaver*, 29 Ch. D., 236 ; 54 L. J., Ch., 749 ; 52 L. T., 512.

(*n*) *Re York, Atkinson v. Powell*, 36 Ch. D., 233 ; 56 L. J., Ch., 552 ; 56 L. T., 704 ; *Re Baker, Nichols v. Baker*, 44 Ch. D., 262 ; 59 L. J., Ch., 661 ; 62 L. T., 817.

4. Real or personal property charged with the payment of debts, and devised, or specifically bequeathed, subject to that charge.

5. General pecuniary legacies *pro ratâ* (o), including herein annuities, and also demonstrative legacies which have become general (p).

6. Specific devises, residuary devises, and specific bequests not charged with debts.

7. Real and personal estate appointed by will under a general power of appointment; unless the power of appointment is over personal property, and it is exercised by a general or residuary clause without any special reference to the power, when it will be considered as forming part of the general personal estate (q).

8. Paraphernalia of the widow of the deceased (r).

9. Property comprised in a *donatio mortis causâ* (s).

It should be observed that the whole reasoning in respect of the order in which assets are to be applied, as just mentioned, is a carrying out of the testator's intention. The general personal estate is deemed the natural and primary fund for payment of

Reason for this order of the application of assets.

(o) *Farquharson v. Floyer* (2 Ch. D., 109; 45 L. J., Ch., 750), where the case of *Hensman v. Fryer* (L. R., 3 Ch. Apps., 745; 37 L. J., Ch., 97), in so far as it decided that general pecuniary legatees stood in the same position as specific devisees and legatees, was not followed, and V. C. Hall said, "That decision has always been treated as a mistake."

(p) In *Re Bate, Bate v. Bate* (43 Ch. D., 600; 59 L. J., Ch., 277; 62 L. T., 559), Lord Justice (then Mr. Justice) Kay held that the assets above numbered 4 and 5 must be transposed; but this case has not been followed (See *Re Stokes, Parsons v. Miller*, 67 L. T., 223; *Re Salt, Brothwood v. Brothwood* (1895), 2 Ch., 203). The order as given above in the text is established by a long current of authorities, and must, in my opinion, still be considered correct. In *Re Stokes*, Mr. Justice Stirling, speaking of *Re Bate*, and of its apparent departure from previous decisions, said:—"I observe, first of all, that none of these cases were cited, and it could not have been the intention of the Lord Justice, I am quite sure, to in any way overrule the authorities to which I have referred."

(q) *Re Hartley, Williams v. Jones*, 69 L. J., Ch., 79; 81 L. T., 804; 48 W. R., 245.

(r) 1 Wh. & Tu., 32, 33.

(s) H. A. Smith's Eq., 535.

all debts, and the testator is presumed to act on this legal doctrine, unless he shows some other distinct and unequivocal intention to the contrary (t). This seems very natural reasoning, for it is manifest that a man, when living, will pay his debts out of cash in his possession, rather than realize property to pay them, and therefore, at his death, it is only in accordance with his probable desire, to pay his debts out of his general personal estate. But if the general personal estate is not sufficient, then, again, it is only common sense to suppose that if the testator has taken the trouble to devise property for the payment of his debts, that is the property he would desire should next be resorted to. Failing that, it would seem to be in furtherance of the testator's intention that the heir, not being an object of his bounty, but taking only by operation of the law, should be the person who should next suffer, and this line of argument is applicable throughout the whole order. Thus particularly also, when we come to general and specific legatees, it is manifest that the general legatees ought to lose the amount of their legacies, or suffer abatement, rather than the specific legatees, for the testator, in giving a specific legacy, must have meant the thing itself to pass unconditionally, and in *statu quo*, to the legatee, which could not be the case if it were subject to the payment of debts in the first instance (u).

As to specific
legatees, and
devisees, and
residuary
devisees.

Special attention should be paid to the assets numbered "6" in the order given, for it is there stated that a specific legatee, or devisee, stands in exactly the same position as a residuary devisee, and

(t) Story, 377; *Duke of Ancaster v. Mayer*, 1 Wh. & Tu., 1; *Trott v. Buchanan*, 28 Ch. D., 446; 54 L. J., Ch., 678; Brett's Eq. Cas., 235.

(u) *Robertson v. Broadbent*, 8 App. Cas., 812; 53 L. J., Ch., 266; 50 L. T., 243; 32 W. R., 205.

at first sight this will probably strike the reader as not being just and right. Prior to the Wills Act, 1837 (*w*), there could be no doubt that a residuary devisee stood in the same position as a specific devisee or legatee, for the will as to real property only spoke from the date of the making, and could only pass property which the testator then had. A residuary devisee was, therefore, then, substantially a specific devisee. The Wills Act, 1837, however, made a will speak from the date of the death as regards all property, and it was then argued that as a residuary devisee might take other property than what the testator was possessed of at the time of making his will, he was not so much an object of the testator's bounty as a specific devisee or legatee; that the residuary devisee was in fact only a devisee of whatever might be left, and that, therefore, he would be liable to contribute rateably with pecuniary legatees, that is to be placed in the order numbered "5" in our list. After some contrary decisions it has, however, now been definitely decided that this is not the correct view; that though it is true the residuary devisee may take other property, yet it must always, in all probability, have been clear in the testator's mind what real estate he possessed, and that, therefore, in effect, a residuary devise remains at the present day just as much specific as it ever was (*x*). This is only a further illustration of what has been already stated, viz., that the whole principle upon which the order of application of assets is founded, is the intention of the testator.

Position prior
to 1 Vict., c. 26.

Residuary
devise still
in effect
specific not-
withstanding
1 Vict., c. 26.

*Lancefield v.
Iggulden.*

But although the general personal estate is the primary fund for payment of debts, yet there are

Exceptions to
the rule that
the general
personal estate
is the primary
fund.

(*w*) 1 Vict., c. 26.

(*x*) *Hensman v. Fryer*, L. R., 3 Ch. Apps., 420; 37 L. J., Ch., 97; *Lancefield v. Iggulden*, 10 Ch. Apps., 136; 44 L. J., Ch., 203; *Farquharson v. Floyer*, 2 Ch. D., 109; 45 L. J., Ch., 750.

various exceptions, and they may be stated to be as follows :—

1. Where the general personal estate is by express words exonerated, and postponed, to some other asset.

2. Where it is exonerated and postponed, by the testator's manifest intention.

3. Where the debt is one in its nature real, *e.g.*, a jointure.

4. Where the debt was not contracted by the person whose estate is being administered, but by some one else from whom he took it.

5. Where the debt is a mortgage debt, or is a vendor's lien, or any other equitable charge on land (*y*).

What will amount to an intention to exonerate the personalty.

The first of these exceptions needs no explanation, but with regard to the second the question must be considered, what will be sufficient evidence of intention to exonerate the general personal estate? It is not sufficient to show that the testator has either by his will, or by some other instrument, charged his real estate with payment of his debts, for that charge may only have been meant to take effect after the personalty has been exhausted; nor is it sufficient to show that the testator has by his will given away his personalty, for that must be taken to have been only after debts have been paid. But where the two points are both existing, that is, where the personalty is by the will given away as a whole, and not as a residue, and the debts, and funeral and testamentary expenses, are charged upon the real estate, then this will amount to an implied intention that the general personal estate is to be exonerated, and that the realty is to be the primary fund for their payment (*z*). Further, if a testator has devoted

(*y*) 1 Wh. & Tu., 12-32.

(*z*) *Greene v. Greene*, 4 Madd., 148; *Gilbertson v. Gilbertson*, 34 Beav., 354; 2 Wh. & Tu., 742, 743.

certain specific personal assets to payment of his funeral expenses and debts, they will be paid out of those assets before the general personal estate is resorted to. The position is well shewn by the case of *Trott v. Buchanan* (a). There the testator had, by a deed, conveyed certain real and personal estate to trustees on trust, after his decease, to sell and pay his debts and funeral expenses out of the proceeds of sale, and hold the balance in trust for his sons. He subsequently made his will, and, after reciting the deed, gave all the residue of his property not comprised therein for the benefit of his wife and granddaughter. It was held that the testator's estate must be resorted to for the payment of debts in the following order :—(1) The specific personalty comprised in the deed; (2) The general personal estate; (3) The realty comprised in the deed.

*Trott v.
Buchanan.*

It may also be observed that although not exonerating his personal estate from its primary liability for payment of his funeral expenses and debts, yet a testator may, by express words or necessary implication, make other portions of his estate equally liable primarily together with his personalty, *e.g.*, if by his will he gives his whole realty and personalty together, and thus creates one aggregated fund, and directs that thereout shall be paid his funeral expenses and debts. In such a case the personalty and the realty must contribute rateably (b).

Creating mixed fund for payment of debts.

Blended funds.

The fourth and fifth exceptions above given may now be classed together; but formerly, although the fourth exception existed, the fifth did not. The fourth exception is best explained by an instance.

Ancestral debts.

(a) 28 Ch. D., 446; 54 L. J., Ch., 678; Brett's Eq. Cas., 235.

(b) *Ashworth v. Munn*, 34 Ch. D., 391; 56 L. J., Ch., 451; 56 L. T., 86.

Mortgage
debts not
ancestral.

Real Estates
Charges Acts.

*Re Anthony,
Anthony v.
Anthony.*

A creates a mortgage upon Whiteacre, and dies, leaving Whiteacre to descend to his heir B, who then dies. Now, this ancestral debt is not payable out of B's general personal estate, unless indeed he has in some way adopted it and made it his debt, but it is payable out of Whiteacre (c). But in other cases of mortgages the mortgage debt was, in administering the estate, regarded in the same way as any other debt, and was payable out of the general personal estate. The law on this subject has, however, now been entirely altered by Locke King's Act (d), and two amending statutes (e), (all of which are now properly quoted as the Real Estates Charges Acts), and, by reason of these enactments, the fifth exception above mentioned is now existing. The effect of these enactments may be shortly stated as follows:—When a person dies possessed of any freehold, copyhold, or leasehold property which is the subject of a mortgage or charge, or which is subject to a vendor's lien for unpaid purchase-money, or any other equitable charge, and he has devised such property, or has not devised it but has left it to devolve according to law, the person (be he beneficiary or heir) who takes the land, takes it subject to the burthen upon it—in other words, the debt existing in respect of it must be primarily paid out of it. Thus, in one case, a testator who died in 1890 had devised certain land to his brother. In 1884 judgment had been recovered for £1,550 against the testator, and the land devised by the testator to his brother was, under a writ of elegit, delivered in execution for the judgment debt, which debt remained unsatisfied at the testator's death. It was held that the land having been seized in execution during the testator's lifetime, the judgment debt was a charge

(c) 1 Wh. & Ta., 24.

(d) 17 & 18 Vict., c. 113.

(e) 30 & 31 Vict., c. 69; 40 & 41 Vict., c. 34.

on the land, and must therefore be paid out of the land itself in exoneration of the testator's general personal estate (*f*).

Referring again to the general order in which assets are applied, it has been pointed out that this is an order existing only between the different persons interested in the estate, and that it does not affect the right of creditors to resort, at their pleasure, to any portion of the estate for payment. Creditors have not to consider the rights of the beneficiaries; that is merely a matter to be arranged and settled between them, an arrangement which is known as the marshalling of assets. This may be defined as a right possessed by beneficiaries, or a liability to which they are subject, under which, as between themselves, the assets are to be arranged, so that, substantially, the order in which they are to be applied for payment of any debts shall not be affected, notwithstanding the act of any claimant. It is an application of the principle *Nemo ex alterius detrimento fieri debet locupletior*, or in the words of Lord Eldon, "a person having two funds to satisfy his demands, shall not by his election disappoint a party who has only one fund" (*g*). Thus, supposing that a creditor obtains judgment against the executor, and levies execution against the residuary personal estate, here ordinarily no case of marshalling arises, for this is the primary fund for payment of the debts; but, suppose that he seizes in execution a horse specifically bequeathed, which he has a perfect right to do, here the doctrine would be applied, for this legatee would have a right to have the value of the horse made good to him, as against others interested in the estate, who, in the

The order of application of assets only affects the beneficiaries.

Marshalling of assets.

Definition.

Instance of the doctrine.

(*f*) *Re Anthony, Anthony v. Anthony* (1892), 1 Ch., 450; 61 L. J., Ch., 434; 66 L. T., 181.

(*g*) 1 Wh. & Tu., 46.

order in which assets are administered, ought to be losers before him. This doctrine of marshalling is a natural result of there being a fixed order for application of assets, for without it effect could not be given to such order, as, of course, it would be unreasonable to dictate to a creditor which part of the estate of his deceased debtor he should first resort to. He is naturally entitled to resort to whatever part of the estate he pleases, for all of it constitutes assets of the testator applicable for payment of his debts; and then if he disturbs the order, matters are rectified between the beneficiaries by this process of marshalling (*h*).

Marshalling
as regards
legatees
against heirs.

Charging
legacies on the
realty.

The principle of marshalling of assets will be found applying in cases somewhat outside the strict words of the definition of the doctrine which we have given; a definition which is framed more with the view of bringing home to the student the general idea of the subject, than with any design of completeness. It may be further illustrated by reference to the subject of legacies. General legacies are payable only out of personalty unless they are charged on realty, which may be done by the express words of the testator, or by implication from the language made use of by him in his will, *e.g.*, if after a gift of certain legacies the testator gives away all the "rest and residue" of his real and personal estate; and many other words may produce the same result (*i*). Where this is the case, the personal estate still remains the primary fund for payment of the legacies, but if that is not sufficient, then the realty is resorted to (*k*). Suppose, however, that the legacies are not

(*h*) See hereon generally *Aldrich v. Cooper*, and Notes, 1 Wh. & Tu., 36.

(*i*) *Re Adams & Perry* (1899), 1 Ch., 554; 68 L. J., Ch., 259; 80 L. T., 149; 47 W. R., 326.

(*k*) *Greville v. Browne*, 7 H. L. Cas., 689.

charged on the realty, and that a creditor so exhausts the personal estate of the testator that there is not sufficient left to pay general legatees their legacies, but at the same time there are certain lands undisposed of by the will, which go to the testator's heir-at-law; here the legatees although their legacies are not charged on the realty, are nevertheless allowed to stand in the shoes of the creditors, and practically get paid their legacies out of the land descended, for they are objects of the testator's bounty, whilst the heir-at-law is not. But the legatees, in the absence of a charge of the legacies on the realty, would have no such right against lands devised by the testator, because the devisee would be, naturally, as much as the legatees, an object of the testator's bounty (*l*).

The principle of marshalling is also applicable in some cases between legatees, as where a testator has charged one or more legacies upon the real estate, and other legacies are not so charged; here if the personal estate proves insufficient to pay them all, the legacies charged on the real estate are paid out of that, so as to leave the personalty for those legatees who have no charge on the realty, and, therefore, no right to be paid thereout. And if the legacies charged on land have been paid out of the personalty, so that there is not sufficient left to pay the others, then the latter are entitled to stand in the shoes of the former, and get paid out of the land, to the extent of the charge on the land possessed by them (*m*).

Marshalling
between
legatees.

But the doctrine of marshalling, or arranging assets so as to give effect to the testator's desires, is not of

The Court did not marshal in favour of a charity.

(*l*) *Hanby v. Roberts*, Amb., 128.

(*m*) 1 Wh. & Tu., 49.

Reason for
this.

universal application, there being in particular prior to the Mortmain Act, 1891 (*n*), one prominent exception to it, viz.: with respect to charities. It may be stated as a general rule that assets were never marshalled in favour of legacies given to charities, upon the ground that the Court was not warranted in setting up a rule of equity contrary to the common rule of the Court, merely to support a bequest which was contrary to law (*o*). The point was this—land could not be given to a charity by will (except to the small extent provided for by the Mortmain Act, 1888 (*p*)), nor even money charged on land or in any way savouring of realty, *e.g.*, money due on a mortgage of land (*q*). In so far as any charitable legacies were made payable out of such prohibited property, therefore, they would fail, and the Court would not so arrange matters as to throw the charitable legacies exclusively on that portion of the testator's estate which might by law be applied to their payment. Thus, suppose a testator gave his whole estate, consisting of realty, leaseholds, money on mortgage, and money at the bank, to trustees, in trust to sell and get in, and pay various legacies, in all amounting to, say, £5,000, and amongst the legacies was one of, say, £300 to a charity. Suppose the realty to realise £2,000, the leaseholds £1,500, the money on mortgage to be £500, and the money at the bank £2,000. Here we have a total estate ample to pay all legacies; but the legacies were given payable out of the whole estate, and therefore, in so far as that estate was composed of prohibited

Instance.

(*n*) 54 & 55 Vict., c. 73.

(*o*) Per Lord Hardwicke in *Magg v. Hodges*, 2 Ves., 53.

(*p*) 51 & 52 Vict., c. 42, sec. 6.

(*q*) A bequest to a charity of railway debentures, or debentures of any company or body, was held not to be a bequest of an interest in land, and was therefore good. (*Attree v. Hawe*, 9 Ch. D., 337; 47 L. J., Ch., 863.) It has also been held that a mortgage bond given by Harbour Commissioners, could be bequeathed to a charity. (*Re Christmas, Martin v. Lacon*, 30 Ch. D., 544; 54 L. J., Ch., 1164.)

property—that is, property which could not be given by will to a charity—any charitable legacy must have failed. One-third only of the total estate mentioned above could by law be given by will to a charity, and the other two-thirds consisted of prohibited property, and, therefore, one-third only of the charitable legacy would be paid, viz., £100. Yet, had the Court applied the doctrine of marshalling, the funds might have been so arranged as to have left the money at the bank to pay the charitable legacy in full (r).

It followed, therefore, that a testator in making charitable bequests, should always insert a clause in his will making the charitable legacies payable out of his pure personalty in priority to other legacies. And where a testator had given this direction, and had charged his real estate with payment of his debts, the charity legatees always had a right to stand in the place of creditors who might have exhausted the pure personalty, inasmuch as it was not the Court, but the testator, who, in such cases, marshalled the assets (s).

Marshalling
by the testator.

But by the Mortmain Act, 1891 (t), (which applies to the wills of all testators dying after 5th August, 1891 (u)), it is provided that land may be given by will for any charitable use, subject to this, that such land must be sold within one year after the testator's death, or such further time as the High Court, or a Judge in Chambers, or the Charity Commissioners allow (w); and if the sale thereof is not completed within the time allowed, the land vests forthwith in the official trustee of charity lands, and the Charity

Provision of
Mortmain Act,
1891

(r) 1 Wh. & Tu., 54, 55.

(s) *Attorney-General v. Lord Mountmorris*, 1 Dick., 379.

(t) 54 & 55 Vict., c. 73.

(u) Sec. 9. *Re Bridger* (1893), 1 Ch., 44; 62 L. J., Ch., 146; 67 L. T., 549.

(w) Sec. 5.

Commissioners must enforce the sale thereof (x). It is also provided that personal estate by will directed to be laid out in the purchase of land, to or for the benefit of any charitable use, shall be held for the charitable use as if the will contained no direction to lay it out in the purchase of land (y). In certain cases, however, the charity may be permitted to actually hold the land itself, it being also enacted that when it is necessary for actual occupation for the purposes of the charity, the High Court, or a Judge at Chambers, or the Charity Commissioners, may sanction the retention of land devised to a charity, or the purchase of land with money directed by a will to be laid out in land (z). In consequence of these provisions, notwithstanding that a gift by will to a charity is of land, or of money savouring of realty, or of money to be laid out in land, the charity will, at any rate, always get the substantial benefit, and, therefore, practically as regards wills made by testators dying after 5th August, 1891, the fact that the Court will not marshal assets in favour of a charity is of no importance. It is necessary, however, to still thoroughly understand the former rules of the Court which continue to apply in the case of wills made by testators dying before the above date.

Marshalling of securities.

It should be noticed that the principle of marshalling is not confined to the administration of assets, but is applied to other cases where the parties are living, and is then styled the marshalling of securities. Therefore, if a person having two estates, mortgages both to A, and then one only of them to B, the Court, in order to relieve B, will direct A to get paid first, as far as he can, out of that estate only which is not in mortgage to B, and this whether B had

(x) 54 & 55 Vict., c. 73, sec. 6.

(y) Sec. 7.

(z) Sec. 8.

notice of the previous mortgage or not (a). But this doctrine will not be enforced to the prejudice of a third party, so that, for example, the Court will not marshal in favour of a second mortgagee against a third mortgagee (b). In other words, if a mortgagor is entitled to two properties, Whiteacre and Blackacre, and makes three mortgages of them to A, B, and C respectively, A's first mortgage including both estates, B's second mortgage including only Whiteacre, and C's third mortgage including both, the Court will not marshal in favour of B as against C, but will direct that A should be paid rateably out of Whiteacre and Blackacre, so that B should, if there was sufficient, be satisfied out of Whiteacre, and thus leaving what may then remain of the two estates for C (c). But, if a third mortgagee by his mortgage, takes expressly subject to and after payment of the first two mortgages, the second mortgagee will be entitled to marshal as against the third (d).

No such marshalling to the prejudice of a third party.

Unless by express words

In a somewhat recent case, an unsuccessful attempt was made to extend the idea of marshalling. The defendants were auctioneers, and had sold for and on the instruction of one Canning (1) a brewery, and (2) certain furniture. After the sale, and before completion, Canning gave a charge on the balance of the proceeds of the brewery in the defendants' hands, to the plaintiff, to whom he owed money, and the plaintiff gave the auctioneers notice of this charge, which did not extend to the proceeds of the furniture. The defendants paid over to Canning the proceeds of the furniture, and appropriated part of the money received by them in respect of the brewery, towards payment of their charges and expenses in

No marshalling in favour of a creditor to the prejudice of another's rights.

Webb v. Smith

(a) 1 Wh. & Tu., 56.

(b) *Barnes v. Rackster*, 1 Y. & C. C. C., 401.

(c) 1 Wh. & Tu., 57.

(d) *Re Mower's Trusts*, L. R., 8 Eq., 110.

connection with that sale. There was not enough to satisfy the plaintiff, and he brought this action complaining that the defendants had not acted rightly, in that though they no doubt had a lien on the proceeds of the sale of the brewery for their charges in respect of that sale, yet they ought to have marshalled the two funds, and paid themselves the whole of their charges out of the proceeds of the furniture, and thus left the money arising from the brewery entirely for the plaintiff. The Court of Appeal decided that this argument could not be maintained, for that the defendants had a right to do as they had done, and there was no obligation on them to leave intact, for the benefit of the plaintiff, the fund on which he had a charge. It must be noticed here that the defendants had by agreement with Canning a particular lien on the proceeds of the brewery sale for their charges in respect of that sale, but that they had strictly no lien on the proceeds of the furniture sale, but only a right of retainer and set off in an action. No doubt, had they paid over the brewery fund to the plaintiff without deducting their charges, and had Canning sued them for the furniture fund, they could have pleaded all their charges by way of set-off, but set-off is not always available, and they might in so acting have run some risk. This is the principle on which the case was decided, and the rule to be deduced from it may be stated in general terms to be, that there can be no marshalling in favour of a creditor to the prejudice of another man's rights (*e*).

Provisions of
Land Transfer
Act, 1897, as
to administra-
tion.

With regard to the provisions of the Land Transfer Act, 1897 (Part I.), under which, in the case of deaths occurring after 1897, real estate is to be administered by the personal representatives as if it

(*e*) *Webb v. Smith*, 30 Ch. D., 192; 55 L. J., Ch., 343; 53 L. T., 737; Brett's Eq. Cas., 239.

ESTATES OF DECEASED PERSONS.

were personalty, it must be borne in mind that it is specially provided that nothing therein contained shall alter or affect the order in which real and personal assets respectively were then applicable in or towards the payment of funeral and testamentary expenses, debts, or legacies, or the liability of real estates to be charged with the payment of legacies (*f*).

(*f*) 60 & 61 Vict., c. 65, sec. 2 (3).

CHAPTER IV.

OF THE DISSOLUTION OF PARTNERSHIP, AND THE
TAKING OF PARTNERSHIP AND OTHER ACCOUNTS.

Definition of
partnership.

THE Partnership Act, 1890 (*g*), contains a digest of the general law of partnership, and in that Act, subject to certain limitations, partnership is defined as the relation which subsists between persons carrying on a business in common with a view to profit (*h*). It is not proposed to consider here the subject of the constitution of a partnership, or the different kinds of partners and their liabilities, these being matters of a strictly Common Law nature (*i*); but to deal with such matters appertaining to the law of partnership as have been usually the proper subjects of the jurisdiction of the Court of Chancery, and which matters are now assigned to the exclusive jurisdiction of the Chancery Division of the High Court of Justice. It has, however, been thought advisable to set out the Partnership Act, 1890, in the Appendix to this work, and reference can usefully be made to it.

Different ways
in which a
partnership
may be
dissolved.

The subject of dissolution of partnership is particularly one to be dealt with in any treatise on Equity. By the Partnership Act, 1890, it is provided that, subject to any agreement between the partners, a partnership is dissolved in any of the following ways:—

1. If entered into for a fixed term, by the expiration of that term.

(*g*) 53 & 54 Vict., c. 39.

(*h*) Sec. 1.

(*i*) See, as to such matters, Indermaur's Principles of Common Law, 155-163; and generally on Partnerships, see Pollock's Digest of the Law of Partnership, and Lindley's Law of Partnership.

2. If entered into for a single adventure or undertaking, by the termination thereof.

3. If entered into for an undefined time, by a notice by any partner to determine it, in which case the partnership is dissolved as from the date mentioned in such notice, or if no date is mentioned, as from the date of the communication of the notice.

4. By reason of the death or bankruptcy of any partner.

5. If any partner suffers his share of the partnership property to be charged under this Act for his separate debt; but this will only operate as a dissolution at the option of the other partners.

6. By the happening of any event which makes it unlawful for the business of the firm to be longer carried on.

7. By judgment of the High Court of Justice (k).

With regard to the cause of dissolution numbered "5," it will be observed that this operates as a dissolution only if the other partners elect that this shall be so. The Partnership Act, 1890, contains a special provision as regards the mode of charging a partner's interest in the concern, for his private debt. Execution cannot be issued, but the Court, or a judge thereof, may, on application, by summons, by any judgment creditor of a partner, make an order charging that partner's interest in the partnership property and profits, with payment of the amount of the judgment debt; and may appoint a receiver of that partner's share in the partnership, and direct all accounts and enquiries, and give all orders and directions which might have been directed, or given, if the charge had been made in favour of the judgment creditor by the partner, or which the circumstances of the case may require. The other partner, or partners, are, however, at liberty at any time to redeem the interest charged,

Charging a partner's share for his private debt.

(k) 53 & 54 Vict., c. 39, secs. 32-35.

or, in case of a sale being directed, to purchase the same (l).

Death of a partner.

With regard to dissolution by reason of death of a partner, although death operates to dissolve a partnership, and the personal representatives have a right to have the concern wound up, yet this is, naturally, subject to any provisions with regard to the matter contained in the partnership articles. If the articles contain a provision that, in the event of death, the personal representatives shall succeed to the deceased's share, and be partners in his place, they may, if they desire, take advantage of it, but they cannot be compelled to come in against their will (m).

Grounds for the Court decreeing a dissolution.

The cause of dissolution numbered "7," viz., by judgment of the Court, is the one to which it is here necessary to give special attention, and the following are the cases in which the Partnership Act, 1890, provides that the Court may decree the dissolution of a partnership:—

1. When a partner is found lunatic by inquisition, or is shown to be of permanently unsound mind, in which cases the application may be made as well on behalf of that partner as by any other partner.

2. When a partner, other than the partner suing, becomes in any other way permanently incapable of performing his part of the partnership contract, *e.g.*, where an active partner becomes so ill as to permanently prevent him giving his attention to the business.

3. When a partner, other than the partner suing, has been guilty of such conduct as in the opinion of the Court, regard being had to the nature of the business, is calculated to prejudicially affect the carrying on of the business.

4. When a partner, other than the partner suing,

(l) 53 & 54 Vict., c. 39, sec. 23.

(m) *Lancaster v. Allsup*, 57 L. T., 53.

willfully or persistently commits a breach of the partnership agreement, or otherwise so conducts himself in matters relating to the partnership business, that it is not reasonably practicable for the other partner or partners to carry on the business in partnership with him.

5. When the business of the partnership can only be carried on at a loss.

6. Whenever in any case circumstances have arisen which, in the opinion of the Court, render it just and equitable that the partnership be dissolved (*u*).

Dissolution by order of the Court takes effect as from the date of the judgment, unless ordered on the ground of a specific breach of duty giving the other member, or members, a right to dissolve the partnership, in which case it may relate back to that event (*o*). In the case of a partnership at will, however, if that is dissolved by the Court, the dissolution takes effect from the date of the service of the writ in the action (*p*).

Date of dissolution under Court's order.

The ordinary course of procedure in an action asking for dissolution is, that the case being made out, a judgment is given for dissolution, and for accounts to be brought in, and the Court will also, to protect the property, usually appoint a receiver, and, if necessary, a manager. The accounts being taken and certified in the Judge's Chambers, a final order is then made winding up the whole matter. As a general rule the Court will not interfere between partners, except in this general and complete way ; it will not, because there are disputes, appoint a manager, or receiver, and direct accounts and settle the disputes, and then relegate the partners to their original positions ; but in some exceptional cases the

Procedure.

Exceptional relief.

(*u*) 53 & 54 Vict., c. 39, sec. 35.

(*o*) Pollock's Partnership, 98.

(*p*) *Unsworth v. Jordan*, W. N. (1896), 2.

Ordering partner to concur in signing dissolution notice.

Court will decree an account, although no dissolution is intended or prayed for, the general rule being, that where a partner has been excluded, or the conduct of the other partner has been such as would entitle the complaining one to a dissolution against him, a general account to the time of the issuing of the writ will, if desired, be decreed, but in no case will a continuing account be ordered, as that would be, practically, the carrying on of the business by the Court (*q*). And in some particular matters the Court will interfere without assuming any general jurisdiction; thus, it has been held that the Court has jurisdiction to entertain an action by one partner against another, merely asking for an order for the other partner to sign a notice of dissolution for insertion in the *Gazette*, in accordance with agreement, or for some other person to be appointed to sign it for him (*r*).

Return of premium paid.

In a partnership suit, the Court will determine all questions in dispute between the partners in connection with the business, and their rights therein. Thus, one partner may have paid a premium, and there may be a question as to whether he is not entitled to a return of some portion of it. The Partnership Act, 1890, contains a special provision that where one partner has paid a premium to another on entering into a partnership for a fixed term, and the partnership is dissolved before the expiration of that term, otherwise than by the death of a partner, the Court may order the repayment of the premium, or of such part thereof as it thinks just, having regard to the terms of the partnership contract, and to the length of time during which the partnership has continued, unless the dissolution is

(*q*) Snell's Equity, 518.

(*r*) *Hendry v. Turner*, 32 Ch. D., 355; 55 L. J., Ch., 562; 54 L. T., 292; and see 53 & 54 Vict., c. 39, sec. 37.

wholly or chiefly due to the misconduct of the partner who paid the premium, or the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium (s). It may be stated, in general terms, that if it is inequitable for a partner who has received a premium to retain it, or the whole of it, the premium, or a part of it, must be returned, but that, if the partnership is dissolved by death, or by the misconduct of the one who paid the premium, no part of the premium is returnable (t).

Again, there may be questions, even after a dissolution, as to the right of a partner who has left capital in the firm, to have a share of the profits by reason of the use made of his capital. With regard to this, the Partnership Act, 1890, provides that where any member of a firm has died, or otherwise ceased to be a partner, and the surviving or continuing partners carry on the business of the firm with his capital or assets, without any final settlement of accounts as between the firm and the outgoing partner, or his estate, then, in the absence of any agreement to the contrary, the outgoing partner, or his estate, is entitled at the option of himself or his representatives, to such share of the profits made since the dissolution, as the Court may find to be attributable to the use of his share of the partnership assets, or to interest at the rate of 5 per cent. per annum on the amount of his share of the partnership assets. But this enactment is subject to this proviso, that where by the partnership contract an option is given to surviving or continuing partners to purchase the interest of a deceased or outgoing partner, and that option is duly exercised, the estate of the deceased partner or the outgoing partner, or his

Right to proportion of profits after dissolution.

(s) 53 & 54 Vict., c. 39, sec. 40.

(t) See Pollock's Partnership, 116-118.

estate, as the case may be, is not entitled to any further or other share of profits; but if any partner, assuming to act in exercise of the option, does not in all material respects comply with the terms thereof, he is liable to account as before-mentioned (*u*). Where a partner, or his representative, elects to take the share of the profits made since the dissolution, there is no fixed rule that the profits are divisible as if the partnership had not ceased, but it is entirely a question to be determined by the Court, having due regard to the nature of the business, the amount of capital from time to time employed in it, and the conduct of the partners generally (*w*).

Arbitration.

Arbitration
Act, 1889.

It must, however, be noticed that the jurisdiction of the Court in connection with disputes arising between partners is, to a certain extent, liable to be ousted by the process of arbitration. By the Arbitration Act, 1889 (*x*), it is provided that whenever a party to a submission to arbitration shall, nevertheless, commence an action in respect of the matters so agreed to be referred, the Court may, on application made at any time after appearance, and before delivering any pleadings, or taking any other step in the proceedings, stay the action on such terms as it may think fit, on being satisfied that no sufficient reason exists why such matters should not be referred in accordance with the submission, and that the applicant was, at the time of bringing such action, and still is, ready and willing to do all things necessary to the proper conduct of the arbitration (*y*). Even if the question

(*u*) 53 & 54 Vict., c. 39, sec. 42.

(*w*) Pollock's Partnership, 121-129.

(*x*) 52 & 53 Vict., c. 49, sec. 4.

(*y*) The staying of an action is a matter entirely in the Court's discretion. (*Re Carlisle, Clegg v. Clegg*, 44 Ch. D., 200; 59 L. J., Ch., 520; 62 L. T., 821.)

involved in an action is whether the partnership shall be dissolved, this is still a matter which can be referred under this provision (z).

The accounts brought in in any general partnership action, should show the whole assets or property of the concern, including any land involved in the partnership business, whether purchased by the partners, or acquired in any other manner. And it should be noticed that where land has become partnership property, it is treated, as between the partners and their representatives, as personal and not real estate, unless a contrary intention appears either by express agreement, or by the conduct of the partners (α). The goodwill of the business also forms part of the partnership assets (b), and every partner has a right, in the absence of any agreement to the contrary, to have that goodwill sold for the common benefit of the partners. By the goodwill is meant the benefit arising from connection and reputation, and its value has been stated to be what can be got for the chance of being able to keep and improve that connection (c). Irrespective of rights in a dissolution action, it has been held that the goodwill does not survive any more than other partnership property, but must be treated as a common partnership asset (d). It may, however, be observed that the goodwill is often not a very valuable asset, for notwithstanding its sale, there is nothing, in the absence of covenant or agreement to the contrary, to prevent any partner setting up a like business, though he must not go so far as to solicit the customers of the old business to come to him, nor must he in any way represent himself as

The assets
of the
partnership.
Land.

Goodwill.

*Trego v.
Hunt.*

(z) *Vandrey v. Simpson* (1896), 1 Ch., 166; 65 L. J., Ch., 369; 44 W. R., 123; *Machin v. Bennett*, W. N. (1900), 146.

(a) 53 & 54 Vict., c. 39, sec. 22.

(b) *Jennings v. Jennings* (1898), 1 Ch., 378; 67 L. J., Ch., 190

(c) *Lindley's Partnership*, 439.

(d) *Smith v. Everett*, 27 Beav., 446.

actually being the old firm (*e*). If a person purchases the goodwill of a business, he is entitled to use the name of the vendor so as to show that the business was the one formerly carried on by the vendor, but of course not so as to expose him to any liability by holding him out as the owner of the business, or as one of the persons with whom contracts are to be made (*f*).

Rules as to the
administration
of the assets.

In the administration by the Court of the assets of deceased partners, and of bankrupt and insolvent partners, the rules observed are that the partnership property is applied as joint estate in payment of the debts of the firm, and the separate property of each partner is applied as separate estate in payment of his separate debts. Then, after such payments, any surplus of the joint estate is applied in payment of the separate debts of the partners, and any surplus of the separate estate is applied in payment of the debts of the firm (*g*). The rule is that the two estates are held entirely distinct, but to this rule there are certain exceptions, viz. :—

1. A creditor of the firm may, if he prefers, prove his debt in the first instance against the separate estate of a partner if the debt has been incurred by means of a fraud practised on the creditor by the partners, or any of them (*h*).

2. A creditor of the firm may prove against the separate estate of a partner if there is absolutely no separate estate (*i*).

(*e*) *Trego v. Hunt* (1896), A. C., 7; 65 L. J., 173 L. T., 514; Brett's Eq. Cas., 300. This case reverses the decision in *Pearson v. Pearson*, 27 Ch. D., 145, that the customers might be solicited. See also *Gillingham v. Biddow* (1900), 2 Ch., 242; 69 L. J., Ch., 527, where it was held that an express provision in the articles that an outgoing partner might start a similar business in the neighbourhood, was merely declaratory, and did not exclude the rule against soliciting old customers.

(*f*) *Thynne v. Shove*, 45 Ch. D., 577; 59 L. J., Ch., 509; 62 L. T., 803.

(*g*) *Pollock's Partnership*, 147.

(*h*) *Ex parte Adamson*, 3 Ch. D., 807; 47 L. J., Bk., 103.

(*i*) *Re Budgett, Cooper v. Adams*, 2 Ch., 555; 63 L. J., Ch., 847.

Furthermore, with regard to the rights of a firm, and of the individual members thereof, no partner in the firm is allowed to prove in competition with the creditors of the firm, either against the joint estate of the firm, or against the separate estate of any other partner, until all the debts have been paid in full. To this rule, however, there are two exceptions, viz. :—

1. Where two firms having one or more members in common, or a firm and one of its members, have carried on business in separate and distinct trades, and dealt with one another therein, and the one firm or trader has become a creditor of the other in the ordinary way of such dealing.

2. Where separate property of a partner has been fraudulently converted to the use of the firm, or property of the firm has been fraudulently converted to the use of any partner, without the consent or subsequent ratification of the partner, or partners, not concerned in such conversion (*k*).

Every partner in a firm is liable, jointly with the other partners, for all debts and obligations of the firm incurred while he is a partner; and though the partners are not liable severally as well as jointly, yet after a partner's death his estate is also severally liable, in a due course of administration, for such debts and obligations so far as they remain unsatisfied, but subject to the prior payment of his separate debts; that is to say, a creditor may claim against the separate estate of the deceased partner without first proceeding against the joint estate (*l*). In the

Partnership
debts are
generally joint
debts.

(*k*) Pollock's Partnership, 154-169.

(*l*) 53 & 54 Vict., c. 39, sec. 9; and see *Kendall v. Hamilton*, 4 App. Cas., 504; 43 L. J., C. P., 705. See also *Re Doetsch, Matheson v. Ludwig* (1896), 2 Ch., 836; 65 L. J., Ch., 855; 75 L. T., 69, where it was held that this rule of procedure applied to the case of a foreign firm having a place of business here, and one of the partners domiciled here dying, leaving assets here, notwithstanding that the law of the foreign country is different to ours.

case of a deceased partner's estate it does not matter in what order the partnership creditor pursues his concurrent remedies, but such remedies are subject to the two following rules, viz.: (1) The partnership creditors must be postponed to the separate creditors of the deceased partner, and (2) The surviving partner must in some way or other be present at the taking of the partnership accounts (*m*). If a creditor of a firm first seeks payment out of the estate of a deceased partner, he is not precluded from afterwards suing the surviving partners (*n*).

Accounts.

The taking of the accounts is an important matter in every partnership action, but, leaving the subject of partnership in particular, it is proposed now to deal with accounts generally; for it must be remembered that the taking of accounts occurs in many cases, *e.g.*, between trustee and *cestui que trust*, and in ordinary cases of the administration of the estates of deceased persons. A principal also may maintain an action for accounts against his agent, though ordinarily an agent cannot against his principal, for he reposes no confidence in the principal, so that the position is not the same as that of principal claiming against his agent. But if in any case confidence is necessarily reposed, *e.g.*, the agent solicits orders which are to be sent direct to the principal, and then the agent is to have commission, it is otherwise.

Between
principal and
agent.

Three kinds of accounts.

Accounts may be said to be of three kinds, viz. : (1) An open account, where the balance is not struck, or is not accepted by all the parties ; (2) A stated account, where it has been expressly or impliedly acknowledged to be correct by all the parties ; and

(*m*) *Re Hodgson, Beckett v. Ramsdale*, 31 Ch. D., 177 ; 55 L. J., Ch., 241 ; 54 L. T., 222.

(*n*) *Lindley's Partnership*, 195.

(3) A settled account, which is where it has not only been acknowledged to be correct, but has been discharged by payment, or otherwise, between the parties (o).

An action for an account is ordinarily brought when no account has been rendered, or the account is an open one, and if the defendant is a person liable to account there is usually no defence to the action. The claim for an account ordinarily goes only to moneys received and paid by the party against whom the account is claimed; but in some cases wilful default is alleged (p), and the account then goes further, viz., to such moneys as, but for the party's wilful neglect or default, he would have received. When an account is directed to be taken in this way, the account is said to be taken on the footing of a wilful default; and an account will be directed to be so taken where an executor has improperly, or unreasonably, omitted to enforce payment of a debt for several years, whereby it has become statute barred and lost to the estate (q). The fact that the account has been settled, or even stated, between the parties, is ordinarily a good defence to an action for accounts; and the fact of payment of the balance, or the signature of the account by the parties is, of course, the best evidence hereon; but even without that, if the account has been rendered, and some considerable time has elapsed without any objection being made, this may amount to sufficient evidence on this point (r). And with regard to the question of time, if the account

Open
accounts.

Wilful default

(o) Wharton's Law Lexicon, Tit. "Account."

(p) As to what will, and what will not, amount to a "wilful default," see *Re Stevens*, *Cooke v. Stevens* (1898), 1 Ch., 162; 67 L. J., Ch., 118; 77 L. T., 508.

(q) See *Re Bowen*, *Bennett v. Bowen*, 20 Ch. D., 538; 51 L. J., Ch., 825; *Re Roberts*, *Knight v. Roberts*, 76 L. T., 479.

(r) H. A. Smith's Principles of Eq., 513-514.

is one founded on legal rights, the Statutes of Limitation will apply to bar any right after the prescribed time; but if it is an account between trustee and *cestui que trust*, then hitherto the Statutes of Limitation have had no application, and the question of whether the Court will entertain the action has depended solely on the point of whether there have been laches, for the student will bear in mind in such cases the force of the maxim, *Vigilantibus non dormientibus æquitas subvenit* (s). The provisions of the Trustee Act, 1888 (t), on this point must, however, now be borne in mind, for under that enactment in all proceedings commenced after 1st January, 1890, a trustee may take advantage of the Statutes of Limitation, except when the claim against him is for fraud, or fraudulent breach of trust to which the trustee was party or privy, or for the recovery of trust property, or its proceeds, still retained by the trustee, or previously received by him and converted to his use.

The relief given as regards stated or settled accounts.

And even where the Court will give relief, although the account has been stated or settled between the parties, there is a difference, according to circumstances, as regards the relief given. In cases where the adjustment, or settlement, has been obtained by fraud, the Court will re-open the accounts altogether (u); and so also it will do this in some extreme cases of accident or mistake. But, more usually, unless there is evidence of fraud, or undue pressure, or unfair dealing, or improper advantage taken, the Court will refuse to re-open the account altogether, and will simply give the plaintiff liberty to

(s) See *ante*, pp. 21, 22.

(t) 51 & 52 Vict., c. 59, sec. 8. See *ante*, pp. 96, 97.

(u) *Clarke v. Tipping*, 9 Beav., 284.

surcharge and falsify (*w*). There is a great distinction between these two modes of giving relief; for, whilst the effect of re-opening an account altogether is to cast the burthen of proof entirely on the accounting party, and compel him to vouch and verify the correctness of the whole account, if liberty is merely given to surcharge and falsify, the account is taken as vouched, subject to the right of the plaintiff to call it in question by showing that any amounts have been received and have not been accounted for, which is called surcharging, and by showing that any items of disbursement have been wrongly inserted, which is called falsifying. The distinction in the remedy is founded on good reasoning; for, ordinarily, after the agreeing of a balance on an account, and still more so after its payment, it would be unfair to require the whole account to be again vouched, for the accounting party, by reason of the adjustment and settlement, may very likely not have preserved vouchers, as it may be presumed he would carefully have done had the account remained open; but if it can be shown that he has practised any fraud or unfair dealing, it is only right that he should be dealt with strictly.

Surcharging
and falsifying

When, as in most cases of accounts, there are on the one side items of receipt, and on the other side items of disbursement, a question frequently arises with regard to appropriation of payments, that is as to what particular amount on the one side, an item on the other side is to be applied. The following rules are laid down in *Clayton's case* (*x*), which is the leading decision on the subject:—(1) That the party liable to perform the obligation, *i.e.*, the debtor, has the right, in the first instance, to declare in

The question of
appropriation
of payments.

Clayton's case

(*w*) H. A. Smith's Principles of Eq., 514.

(*x*) Tudor's Mercantile Cases, I.

respect of which contract, or debt, the payment is made; (2) That failing his doing this, the person entitled to performance, *i.e.*, the creditor, has such right; (3) That failing either doing so, then the law considers a payment made, to be in respect of the contract, or debt, which is earliest in point of date, commencing with the liquidation of any interest that may be due. When under these rules a creditor has the right of appropriating the money, he may even appropriate it to a debt barred by the Statute of Limitations (*y*). And where a payment is made to a person to whom two or more debts are due, of a sum not sufficient to satisfy all, and the debts are owing in respect of contracts of the same date, the amounts paid, unless expressly appropriated by one of the parties, will be apportioned between the different debts (*z*).

Exemption from
the rule.

See also
A. 1.

But these ordinary rules do not in all cases apply in determining the rights of a *cestui que trust* against his trustee. Thus, where a trustee had paid trust money into his own banking account, and had drawn cheques generally on such account, for his own purposes, it was held that the strict rule in *Clayton's* case did not apply, so as to produce the result that he must be taken to have drawn cheques against the money earliest paid in, and thus spent the whole trust fund; but that it must be presumed that he intended to do right, and that he had drawn cheques against his own proper moneys rather than the trust moneys. Therefore, it followed that any money remaining at his banking account at the time of his bankruptcy, must be presumed, so far as was necessary, to still represent the trust money, and that to this extent such money would not pass

(y) *Mills v. Forster*, 5 Bing. (N.C.), 455.

(z) *Farnes v. Bennett*, 11 East, 36.

to his trustee on his bankruptcy, as part of his estate (a).

The subject of Companies is somewhat connected with that of partnership, but is beyond the scope of the present work, and is a matter best treated of separately, it partly pertaining to Common Law, partly to Equity, and to a very great extent to practice (b). Company law

(a) *Re Hallett's Estate*, 13 Ch. D., 696; 49 L. J., Ch., 415; Brett's Eq. Cas., 179. See also *ante*, pp. 102, 103.

(b) The student is referred for a separate study of Company Law, to Eustace Smith's Summary of the Law of Companies, a work written specially for Students. Useful chapters on the subject of Companies will be found also in Williams' Personal Property (Part I., Chap. 6), and in Goode's Personal Property (Chap. 8). Generally for full information on the subject, see Lindley's Law of Companies. An excellent dissertation on the law affecting Companies will also be found in Vol. III. of the "Encyclopædia of the Laws of England," 162-232.

CHAPTER V.

MORTGAGES.

Definition of
a mortgage.

A MORTGAGE, in its widest sense, may be defined as a security whereby the property in land, or goods, is passed by one person to another conditionally. Mortgages of land are ordinarily effected by means of a formal deed of mortgage, and mortgages of chattels by an instrument which is designated a bill of sale (c).

Mortgages of
land.

Mortgages of land may either be by way of *vivum vadium*, that is a living pledge, or *mortuum vadium*, a dead pledge, though the former is, at the present day, practically unknown. A *vivum vadium* is where the mortgagor borrows a sum of money, and grants his estate to the mortgagee to hold until the rents and profits shall repay the sum so borrowed, and when this object is accomplished then the estate in natural course results back to the borrower. On the other hand, a *mortuum vadium* is where the mortgagor borrows a sum of money, and grants his estate to the mortgagee to hold absolutely, subject to this, that if the mortgagor shall repay the money with interest on a given day, then the mortgagee shall re-convey the estate to the mortgagor (d). This is still the strict form of an ordinary mortgage deed, and we must here notice the different ways in which all such transactions have always been regarded at Common Law, and in Equity, respectively.

*Vivum
vadium.*

*Mortuum
vadium.*

(c) Bills of sale given by way of securing money are governed by the Bills of Sale Act, 1882 (45 & 46 Vict., c. 45). See hereon Indermaur's Principles of Common Law, 114-122.

(d) 1 Step. Coms., 217.

At Common Law, the day named in a mortgage for payment, was required to be strictly observed, and if the money was not paid on that day, the mortgagor's rights were at an end, and the mortgagee was the absolute and complete owner. The estate was, in fact, granted to the mortgagee absolutely, subject to a certain condition, which condition was required to be strictly observed, and if it was not so observed, the mortgagor's right was gone for ever. But Equity always regarded the transaction in a different light, viz., as purely and simply intended as a security for money; and acting on the maxim, "Equity regards the spirit and not the letter" (e), the Court of Chancery always allowed the mortgagor to come and redeem his property on payment of principal, interest, and costs, which right is styled the mortgagor's equity of redemption (f). The maxim just referred to, is the very foundation of the doctrine of Equity on this subject, and this, coupled with another maxim, "Once a mortgage always a mortgage," forms the basis of the rules there observed relating to mortgages. This latter maxim may be shortly stated to mean, that when a transaction is clearly shown to be a mortgage, then a mortgage it must remain; thus, a clause in the mortgage deed, providing that if the money is not paid within five years, the mortgagor shall have no further right or equity of redemption, would be perfectly useless (g). In fact, any attempt in a mortgage deed to clog, fetter, or impede those rights which the Court of Chancery has decided are the special privileges of a mortgagor, is absolutely futile, and the mortgagor cannot be prevented from claiming accounts, and payment of any surplus to him (h). Whilst Common

Effect of a mortgage at Common Law.

Effect in Equity.

Once a mortgage always a mortgage.

Salt v. Marquis of Northampton.

(e) See *ante*, p. 9.

(f) Story, 660, 661.

(g) *Howard v. Harris*, 2 Wh. & Tu., 11.

(h) *Salt v. Marquis of Northampton* (1892), A. C., 1; 61 L. J., Ch., 49; 65 L. T., 765.

Law and Equity were distinct systems, we had, therefore, two different rules applying; but it must be remembered that now, under the Judicature Act, 1873 (*i*), the Equity rule is the prevailing one, in all divisions of the Court, and that the Common Law rule is only, as it were, a relic of what has been. It is not, perhaps, too much to say that the doctrine of Equity is a direct restriction on the ordinary rights of freedom of contract. In a modern case Lord Bramwell said: "I think the equitable rule unreasonable, and I regret to have to disregard the express agreement of a man perfectly competent, and advised by competent advisers" (*k*).

Mortgagee
must not make
a collateral
advantage

Following out the idea of a mortgage being simply intended as a security for the amount advanced, and interest thereon, and any costs, there are many cases in which it has been laid down that a mortgagee may not in a mortgage stipulate for a collateral advantage in any shape or form (*l*). Modern cases have, however, undoubtedly relaxed this rule, and it may now be stated that a clause in a mortgage, that the mortgagee shall gain some collateral advantage, is valid if not unconscionable or oppressive. Thus in one case a publican mortgaged his public-house to a brewer, and it was provided that the loan should continue for a period of five years; and the mortgagor covenanted that he would not, during that period, sell on the premises beer other than that supplied by the mortgagee. It was held that the covenant was valid, and could be enforced by

*Biggs v.
Hodkinsett.*

(*i*) 36 & 37 Viet., c. 66, sec. 25.

(*k*) Per Lord Bramwell in *Salt v. Marquis of Northampton*, 61 L. J., Ch., at p. 54.

(*l*) See *Jennings v. Ward*, 2 Vern., 520; *Thompson v. Hudson*, L. R., 4 E. & L., App. 1; 38 L. J., Ch., 431; *James v. Kerr*, 40 Ch. D., 449; 58 L. J., Ch., 355; 60 L. T., 212; *Field v. Hopkins*, 44 Ch. D., 524; 62 L. T., 774.

injunction (m). However, a clause in a mortgage professing to give the mortgagee some right over, or in connection with, the property mortgaged, even after payment off of the mortgage, is bad as being really a clog on the right to completely redeem (n). There would appear to be no doubt that a stipulation in a mortgage, giving the mortgagee during the continuance of the security a right of pre-emption if the mortgagor determines to sell the property, is good. There is nothing also to prevent a mortgagee purchasing the equity of redemption of the mortgagor; but such a transaction is looked at jealously by the Court, and where the mortgagor has, under pressure from the mortgagee for payment of the mortgage debt, and being in embarrassed circumstances, sold and conveyed his equity of redemption to the mortgagee at a price under its value, the transaction has been set aside (o).

A mortgagor entitled to an equity of redemption may freely assign it, and the purchaser thereof ordinarily stands in the position of, and has the same rights as, the original mortgagor as regards demanding accounts, and redeeming the property; but, of course, he is not liable in any direct way personally to pay the debt, unless, indeed, the mortgagee has joined in the transaction, and released the original mortgagor, and the purchaser of the equity of redemption has covenanted with him to pay the

Position of
purchaser of
an equity of
redemption.

(m) *Biggs v. Hoddinott* (1898), 2 Ch., 307; 67 L. J., Ch., 540; 79 L. T., 201; 47 W. R., 84; see also *Santley v. Wilde* (1899), 2 Ch., 474; 68 L. J., Ch., 681; 81 L. T., 393; 48 W. R., 90; *Carritt v. Bradley* (1901), 2 K. B., 550; 70 L. J., K. B., 832; 49 W. R., 593; *Lisle v. Reeve*, 85 L. T., 464.

(n) *Noakes v. Rice*, W. N. (1901), 247; *Law Students' Journal*, Jan., 1902, p. 5 (in the House of Lords), affirming decision below, *sub. nom.* *Rice v. Noakes* (1900), 1 Ch., 213; 69 L. J., Ch., 43; 81 L. T., 482; 48 W. R., 110; see further hereon *Indermaur's Conveyancing*, 413-416.

(o) *Ford v. Olden*, L. R., 3 Eq., 461; and see *Lisle v. Reeve*, 85 L. T., 464.

amount, which would raise a case of novation (*p*). But, although there may be no novation, yet in an indirect way the purchaser of an equity of redemption will incur a liability, unless it is expressly stipulated to the contrary, for it has been held that on such a purchase he impliedly agrees with his vendor (the mortgagor) to indemnify him against further liability on the mortgage debt (*q*).

*Waring v.
Ward.*

The doctrine
of *Toulmin v.
Steer*.

Example.

But if a mortgagee purchases the equity of redemption, he may sometimes stand in a different position from that occupied by an ordinary purchaser of property. If he is the sole mortgagee, no doubt the property is his absolutely; but if there are several mortgagees, the question arises as to whether he has any right to set up his mortgage against any subsequent incumbrances of which he has notice, or whether it is not extinguished by his becoming the purchaser—in other words is he not in the same position as the original mortgagor would be on paying off an incumbrance on the estate, in which case, ordinarily, the incumbrance thus paid off would naturally be extinguished? Thus, say Whiteacre is mortgaged to A for £1,000, to B for £700, and to C for £500, and that A, with notice of B and C's mortgages, purchases the equity of redemption. Can A still hold his mortgage over B and C's heads, or is not his mortgage merged and gone, and has not B become first mortgagee for £700, and C second mortgagee for £500? It was laid down in *Toulmin v. Steer* (*r*) that this was so; but this principle must now be taken subject to this, that if at the time of the purchase by the mortgagee, an intention is shown to keep the mortgage alive, then it will not

(*p*) Novation means the substitution, with the creditor's consent, of a new debtor for the old one. (Wharton's Law Lexicon, 519.)

(*q*) *Waring v. Ward*, 7 Ves., 337. See also *Re Errington* (1894), 1 Q. B., 11; 69 L. T., 766.

(*r*) 3 Mer., 210.

be merged and destroyed, but may still be held by him as a protection against the claims of the subsequent incumbrancers (s). Manifestly, the most advisable course is that, in the deed under which the mortgagee purchases, a declaration should be inserted to the effect that the incumbrance shall be treated as remaining on foot for the purpose of protecting the purchaser against the other incumbrances, in which case no subsequent incumbrancer could do anything without first paying off this mortgage. Still, even in the absence of anything of this kind, it would appear that at the present day, the mortgage would always be deemed to be kept alive if it was to the mortgagee's interest that it should be. This is really the effect of the House of Lords' decision in the modern case of *Thorn v. Cann* (t), which completely minimises, if it does not altogether sweep away, the doctrine laid down in *Toulmin v. Steer*. It was held in *Thorn v. Cann* that the question whether a charge is kept alive is one of intention, to be gathered not only from the written instrument, but from the circumstances of the case; and the intention may be presumed from the consideration of whether it is, or is not, for the benefit of the owner of the charge that it should be kept alive (u).

Thorn v. Cann.

And, on similar principles, although an owner of an equity of redemption, on paying off a mortgage on the estate, must ordinarily be taken to have extinguished it, yet if he is not the original mortgagor he need not necessarily do so, but may, if he desires, still keep it alive. Evidence of intention to

Any owner of the equity of redemption, other than the mortgagor, paying off a mortgage, may keep it alive.

(s) *Adams v. Angell*, 5 Ch. D., 634; 46 L. J., Ch., 54; Brett's Eq. Cas., 225.

(t) (1895) A. C., 11; 64 L. J., Ch., 1; 71 L. T., 852.

(u) See also *Liquidation Estates Purchase Company v. Willoughby* (1898), A. C., 321; 67 L. J., Ch., 251; 78 L. T., 329; *Gifford v. Fitzhardinge* (1899), 2 Ch., 32; 68 L. J., Ch., 529; 81 L. T., 106.

keep alive a mortgage which is paid off, can always be given, and circumstances may show such an intention, so that where an owner of an equity of redemption, whose title to a share of the property was disputed, paid off a mortgage and took a re-conveyance, it was held that the Court would presume an intention to keep the mortgage alive as against the share in dispute (*w*). But an original mortgagor cannot pay off and keep alive a mortgage, which he has created, so as to prejudice subsequent incumbrancers (*x*).

Distinction
between a
mortgage, and
a sale with a
condition for
re-purchase.

For the rule to exist that a person who has conveyed property to another, subject to a condition for re-conveyance to himself on payment of a sum of money on a certain day, need not strictly observe that day, it must be clearly made out that the transaction is really one by way of mortgage, a matter not always perfectly clear. Sometimes there may really be a transaction whereby A conveys property to B, say for £1,000, reserving to himself a right to buy it back by a given date, say for £1,100. Now, here the question would arise, is this a mortgage, or is it not an out-and-out sale, with a right of re-purchase on a given day? If the former, then the principles we have referred to apply; but, if the latter, then they have no application, and the day named must be rigidly adhered to, and there is no principle upon which the Court can allow to the conveying party an extension of his privilege of re-purchase beyond the day named. There being but little difference from a mortgage in the form of such instruments, it is sometimes necessary to look to surrounding circumstances, to ascertain the real nature of the transaction, and the following

(*w*) *Re Pride, Shackell v. Colnett* (1891), 2 Ch., 135; 61 L. J., Ch., 9; 64 L. T., 768.

(*x*) *Fisher on Mortgages*, 734.

circumstances will form more or less cogent evidence, to show that it was really intended as a mortgage, and not as an out-and-out sale, viz. :—(1) That the conveying party was allowed to remain in possession, merely accounting for rents as an equivalent to interest. (2) That though the party to whom the property was conveyed was let into possession, he yet accounted for the rents and profits to the conveying party. (3) That the conveying party paid the whole costs of the instrument. (4) That the money paid was utterly inadequate to what would be the purchase-money for the property. Parol evidence is also admissible on the point (*g*).

Circumstances showing transaction really a mortgage.

Instruments of the kind mentioned in the last paragraph are now very common in transactions with insurance companies. The company very often, instead of lending, will buy a reversion, giving the reversioner the right to re-purchase, say within five years, on payment of such a sum as will represent the amount originally paid, with compound interest, and the premiums on any policy of assurance effected for the purposes of the transaction, with like interest thereon. The advantage in a transaction of this kind is that the person raising the money will have no interest or premiums to pay, and, during the period, he still has the right of getting the property back, an advantage he would not be slow to avail himself of if the reversion became an estate in possession. A transaction of this kind is clearly not a mortgage, and the point of evidence numbered (3) in the last paragraph would not assist in an effort to make it out to be so.

Transactions with insurance companies.

The whole idea of the Court of Chancery in continually allowing to the mortgagor the right or

The reason of the doctrine of the Court.

Equitable
mortgage.

memorandum of charge on the property, without any direct conveyance, or even by a deposit of the muniments of title, either simply, or accompanied by a memorandum. That a mere deposit of deeds should create a charge on land, may, at first sight, appear strange, bearing in mind the provisions of the 4th section of the Statute of Frauds (*e*), but the point was decided long ago in the well-known case of *Russel v. Russel* (*f*). The theory is that there has been a part performance of the contract sufficient to take the case out of the Statute (*g*), and further that the deposit creates a security as a matter of necessity, for, if the depositor sued at law to recover back his muniments, the lien of the depositee thereon would be an answer, and if he sued in Equity for their specific delivery up, he would be met with the maxim, "He who seeks Equity must do Equity"; and it certainly would not be equitable or right to order their restoration to him without payment of the money to secure which they were deposited. The depositor of the deeds, therefore, could in no way get them back without repaying the money for which they were deposited. But, where there is no deposit, and no writing, no merely oral statement or direction can constitute a valid charge on the property (*h*).

*Russel v.
Russel.*

Welsh
mortgage.

One peculiar, and out-of-the-way, mortgage may also be noticed, viz., what is known as a Welsh mortgage, which is a transaction whereby the estate is conveyed to the mortgagee, who is to go into possession and take the rents and profits as an equivalent for his interest, the principal remaining undiminished. In such a transaction there is no contract, express or

(*e*) 29 Car. II., c. 3

(*f*) 2 Wh. & Tu., 76.

(*g*) 2 Wh. & Tu., 78; as to part performance, see *post*, p. 267.

(*h*) *Ex parte Broaerick, Re Beetham*, 18 Q. B. D., 766; 56 L. J., Q. B., 635; 35 W. R., 613.

implied, between the parties, for the repayment of the debt at a given time, and though the mortgagee has no remedy by action to enforce payment of his money, yet the mortgagor or his heirs may redeem at any time (*i*).

The position of a mortgagor has been greatly ameliorated, and improved, by modern legislation, for originally at Common Law his position was scarcely recognised as being any longer that of owner of his property. The Courts of Common Law, in fact, simply considered, that, whilst allowed by the mortgagee to remain in possession, he might take any crops or profits of the land without accounting to the mortgagee, and he might distrain for rent, but this was all. The Judicature Act, 1873 (*k*), however, ameliorated this harsh rule of the Common Law, by providing that a mortgagor entitled for the time being to the possession or receipt of the rents and profits of any land, as to which no notice of intention to enter has been given by the mortgagee, may sue for the possession of such premises, or for the recovery of such rents and profits, or to prevent or recover damages in respect of any trespass or other wrong relative thereto, in his own name only. The mortgagor also, at Common Law, having parted with the legal estate, could not make any valid lease of the mortgaged property, and any lessee claiming under a lease made by an owner, after he had mortgaged his estate, was liable to be ejected (*l*). Any lease had, in fact, to be made by the mortgagor and mortgagee together, the rent being reserved to the mortgagee until redemption, and then to the mortgagor. The Conveyancing Act, 1881 (*m*), has

Position of mortgagor improved by legislation.

Provision of Judicature Act, 1873, sec. 25 (5).

Position as to making leases of mortgaged property.

Conveyancing Act, 1881.

(*i*) Fisher on Mortgages, 7.

(*k*) 36 & 37 Vict., c. 66, sec. 25 (5).

(*l*) *Keech v. Hall*, 1 Smith's Lead. Cases, 494.

(*m*) 44 & 45 Vict., c. 41, sec. 18.

now improved the mortgagor's position in this respect, for under its provisions, in the case of mortgages made since the Act, whilst the mortgagor remains in possession he has power to make leases as follows, viz.: An agricultural or occupation lease for not exceeding 21 years, and a building lease for not exceeding 99 years, such leases to take effect within a year, to be at the best rent, without fine, and to contain usual covenants, and a condition for re-entry on non-payment of rent for not exceeding 30 days. The mortgagor must also within one month of making such a lease, deliver to the mortgagee, or where more than one, then to the mortgagee first in priority, a counterpart of the lease duly executed by the lessee; but the lessee is not to be concerned to see that this provision is complied with (n).

Limitations on
mortgagor's
right to
redeem.

We have stated that the mortgagor has by the doctrines of the Court of Chancery a continual right or equity of redemption; but this right is limited (1) by the Statute of Limitations, and (2) by the mortgagee's remedy of foreclosure. The Real Property Limitation Act, 1874 (o), provides that where the mortgagee enters into possession, and holds for a period of 12 years without giving any written acknowledgment of the mortgagor's rights, his title is absolute, and the mortgagor is barred from any further right or equity of redemption; and it has been decided that, in this case, there is no further extension of time in the case of disability, but that the mortgagor's right is absolutely lost after the period of 12 years (p). The mortgagor, desiring to redeem, tenders to the mortgagee his principal,

*Forster v.
Patterson.*

(n) See further Indermaur's Conveyancing, 421-425.

(o) 37 & 38 Vict., c. 57, sec. 7.

(p) *Forster v. Patterson*, 17 Ch. D., 132; 50 L. J., Ch., 603
44 L. T., 465; Fisher on Mortgages, 678.

interest, and costs, and, if not accepted, then he may commence an action in the Chancery Division for redemption. In such an action an account is taken of what is due to the mortgagee for principal, interest, and costs, and, on payment of this total amount, the mortgagee must reconvey to the mortgagor. It is a common expression "You foreclose down, and redeem up." This means that a first mortgagee can foreclose, or shut out, all other persons interested in the property, but if he is not a first mortgagee he can only foreclose the subsequent mortgagees and the mortgagor, and must redeem any prior incumbrancers; whilst a mortgagor must redeem all mortgages.

"Foreclose down, redeem up."

Not only may the original mortgagor redeem the mortgaged property, but, as a general rule, any person interested in the equity of redemption may do so, *e.g.*, a tenant by the curtesy, a tenant in dower, and even a judgment creditor (*q*); and it has been held that a tenant for years, holding under an agreement for a lease made subsequently to a mortgage of the property, and by which the mortgagee is not bound, is entitled to redeem (*r*). But a person having no right or interest in the mortgaged estate cannot redeem, *e.g.*, a mere annuitant of the mortgagor (*s*). A mortgagee is bound to take due care of the title deeds of the mortgaged property, including the mortgage deed, and all the deeds must be handed over to the mortgagor, or other person properly redeeming. If any deed has been lost the mortgagor, or such other person, is entitled to have a proper indemnity in respect of the lost deed, at the cost of the mortgagee (*t*).

Who may redeem besides the mortgagor

Mortgagee must take care of the deeds.

(*q*) Story, 672; Fisher on Mortgages, 681.

(*r*) *Tarn v. Turner*, 39 Ch. D., 456; 57 L. J., Ch., 1085; 59 L. T., 742.

(*s*) Story, 672.

(*t*) *James v. Ramsey*, 11 Ch. D., 398; 48 L. J., Ch., 345.

Non-observance of day named in mortgage for payment.

*Fitzgerald's
Trustee v.
Mellersh.*

Who
reconveys on
death of
mortgagee.

There is, in every mortgage, a day named for payment by the mortgagor, and if he does not observe that day, then he is not entitled at any moment to come forward and pay the money with interest to date, but he must give six months' notice of his intention to repay, or in lieu thereof pay six months' interest (u); and, if having given such a notice he does not then strictly observe the day for payment, the mortgagee is entitled to a fresh six months' notice, or six months' interest in lieu of notice. This is so that the mortgagee may have proper opportunity of finding another security for his money. But this does not apply to an equitable mortgage by deposit of deeds, nor to any equitable mortgage intended as a mere temporary security, for it has been held that all such a mortgagee is entitled to, in the way of notice, is a reasonable time to look up the deeds (v). If a legal mortgagee is dead, and the property is freehold or copyhold, formerly it was not always perfectly easy to determine who should re-convey to the mortgagor, nor is it always easy now to determine the point as regards copyholds to which the mortgagee has been admitted tenant on the Court Rolls. In the absence of any devise of the mortgaged property, the rule was, that whilst the mortgagor must pay his money to the personal representatives of the mortgagee, the heir of the mortgagee was the person to reconvey, but if there was any devise of the mortgaged property, then the devisee was the proper person to re-convey. Difficulties often arose as to whether there had been a devise of the mortgaged property, for it was held that under a general devise mortgaged property would pass, unless a contrary intention was shown (x); but it was by no means easy to determine whether there was

(u) *Johnson v. Evans*, 61 L. T., 18.

(v) *Fitzgerald's Trustee v. Mellersh* (1892), 1 Ch., 385; 61 L. J., Ch., 231; 66 L. T., 178. See also Fisher on Mortgages, 715.

(x) *Lord Braybrooke v. Inskip*, Lead. Cas. Convey., 986.

a contrary intention or not, for instance, supposing the property comprised in the general devise was charged with payment of debts, or was subjected to a series of complicated limitations, here there was usually held to be a sufficient contrary intention. The Vendor and Purchaser Act, 1874 (*y*), however, provided that in all cases the legal personal representative of the mortgagee might re-convey, but it was strangely enough held that this enactment, though applying to a re-conveyance to the mortgagor, did not operate to enable the personal representative to transfer (*z*). However, the Conveyancing Act, 1881 (*a*) (which repealed the provision just mentioned), met all cases by enacting that the mortgaged property, should, on death of the mortgagee, always go to his personal representatives, notwithstanding any testamentary disposition, and that they should have all powers both of re-conveyance and transfer, and should be deemed, for the purposes of that enactment, the heirs and assigns of the deceased. One would have thought that this was a satisfactory provision, but the Legislature has, with regard to copyholds, thought differently, for, firstly, by the Copyhold Act, 1887 (*b*), and now by the Copyhold Act, 1894 (*c*), it is enacted that the 30th section of the Conveyancing Act, 1881, shall not apply to land of copyhold or customary tenure, vested in the tenant on the Court Rolls of any manor, upon any trust, or by way of mortgage. This provision dates from the 16th September, 1887, and, therefore, as regards all cases of payments off since that date, of mortgages of copyhold property to which the mortgagee has been admitted, it is either the customary heir or devisee, as the case may be, who will re-surrender

Provision of
Vendor and
Purchaser Act,
1874.

Provision of
Conveyancing
Act, 1881.

Copyhold
Acts, 1887
and 1894.

(*y*) 37 & 38 Vict., c. 78, sec. 4.

(*z*) *Re Spradbery's Mortgage*, 14 Ch. D., 514; 49 L. J., Ch., 623

(*a*) 44 & 45 Vict., c. 41, sec. 30.

(*b*) 50 & 51 Vict., c. 73, sec. 45.

(*c*) 57 & 58 Vict., c. 46, sec. 88.

to the mortgagor, and the old law is, therefore, to this extent revived. This matter, as regards trust property, has already been dealt with in this work (*d*). Of course, if the mortgagee of copyholds has not been admitted, all that is necessary is to pay the money to his personal representatives on their receipt, and enter up satisfaction on the Court Rolls ; and, as regards equitable mortgages, equally, of course, all that is required is a receipt, there being no estate to reconvey.

Right on
payment off of
mortgage to
require debt to
be assigned.

But, though a mortgagor was always entitled to a reconveyance of the property, or to have it transferred to his nominee, he was not formerly entitled to call upon the mortgagee to assign the mortgage debt itself, and the reason for this was that the debt was a chose in action, and only assignable at law by means of a power of attorney to the assignee to sue in the mortgagee's name, and it was not reasonable that a mortgagee should have cast upon him the risk of liability for costs in any action brought for the debt in his name. But when the Judicature Act, 1873 (*e*), made choses in action assignable by way of absolute assignment, this reasoning no longer held good, and by the Conveyancing Act, 1881 (*f*), as amended by the Conveyancing Act, 1882 (*g*), it is provided that, in the case of all mortgages, the mortgagee shall, on payment, be bound, if required, not only to reconvey or transfer the mortgaged property, but also to assign the mortgage debt ; but a requisition for its assignment by an incumbrancer prevails over the requisition of the mortgagor, and, as between incumbrancers, a requisition of a prior

(*d*) See *ante*, pp. 64, 65, and see *Re Mills' Trust*, 37 Ch. D., 312 ; 57 L. J., Ch., 466 ; 58 L. T., 620.

(*e*) 36 & 37 Vict., c. 66, sec. 25 (6).

(*f*) 44 & 45 Vict., c. 41, sec. 15.

(*g*) 45 & 46 Vict., c. 39, sec. 12.

incumbrancer prevails over a requisition of a subsequent incumbrancer.

We have seen that the mortgagee holds the estate which is conveyed to him, but as a security for his money, that being the real nature of the transaction, but the property may become his absolutely, as already noticed, either by force of the Statute of Limitations, or by foreclosure. The mortgagee at first is not let into possession of the property, though, strictly speaking, having the legal estate conveyed to him, he is entitled to possession. Still, there is naturally no need for him immediately to take possession, and in practice he never does so, for, if the money is paid when required, that is all he can want; but, assuming it is not, then we have to consider his remedies, and there are several, all of which he may, if he pleases, exercise concurrently. These remedies are chiefly as follows:—(1) To sue for his money; (2) To enter into possession and eject the mortgagor, and then also he has certain other incidental powers; (3) To sell either under express powers conferred by the mortgage deed, or given by statute; (4) To foreclose.

Mortgagee may become absolute owner.

Mortgagee may exercise remedies concurrently.

Any proceedings by the mortgagee of land to enforce his security, or to recover his money, must now be brought within 12 years, under the provisions of the Real Property Limitation Act, 1874 (*h*); but this provision does not apply to a mortgage of purely personal estate, *e.g.*, of a reversionary interest in money, as to which the time to sue is still 20 years if the mortgage is under seal, and six years if it is not (*i*). A mortgagee of land must sue

Mortgagee must sue within 12 years.

Sutton v. Sutton.

(*h*) 37 & 38 Vict., c. 57, sec. 7; *Sutton v. Sutton*, 22 Ch. D., 511; 52 L. J., Ch., 333; 48 L. T., 95; Brett's Eq. Cas., 205.

(*i*) *Mellersh v. Brown*, 45 Ch. D., 225; 60 L. J., Ch., 43; 63 L. T., 189.

Fearnside v. Flint.

Re Frisby.

Newbould v. Smith.

within the period of twelve years even though, apart from the mortgage, there is a collateral bond by the mortgagor (*k*) ; but if there is a collateral bond by a third person (*l*), or even if such a third person is joined as surety in the mortgage deed itself (*m*), then, as against such third person, an action on the covenant may be brought within twenty years. The period of twelve years runs from the date of the mortgage money becoming due, or from the last written acknowledgment, or payment of interest, or part payment of principal by the mortgagor. And where there is a mortgage of land, and there is a surety for the debt, an acknowledgment, or payment of interest, or a part payment of principal, made by the mortgagor, will keep the debt alive as regards the surety; for, although under the provisions of Lord Tenterden's Act (*n*), and the Mercantile Law Amendment Act, 1856 (*o*), a co-debtor is not to lose the benefit of the Statute of Limitations by reason of acknowledgment, or part payment, or payment of interest, made by another co-debtor, yet there is no similar provision saving the benefit of the Real Property Limitation Act, 1874 (*p*). Where a mortgagor assigns his equity of redemption, but yet continues to pay interest to the mortgagee on his own account, and for his own purposes, and not as agent for the assignee of the equity of redemption, such payment does not prevent the Statute of Limitations running in favour of the

(*k*) *Fearnside v. Flint*, 22 Ch. D., 579; 52 L. J., Ch., 479; 48 L. T., 154.

(*l*) *Re Powers, Lindsell v. Phillips*, 30 Ch. D., 291; 53 L. T., 647.

(*m*) *Re Frisby, Allison v. Frisby*, 43 Ch. D., 106; 59 L. J., Ch., 94; 61 L. T., 632. As to this point, I consider I am justified by the weight of authority in stating it as I have done in the text. Mr. Justice Kay did so decide in *Re Frisby, Allison v. Frisby* (60 L. T., 922). In the Court of Appeal, the substantial decision of Mr. Justice Kay was affirmed, but on this point there was a difference of opinion. Lord Justice Bowen followed Mr. Justice Kay, Lord Justice Cotton did not, and Lord Justice Fry expressed no opinion on the point.

(*n*) 9 Geo. IV., c. 14, sec. 1.

(*o*) 19 & 20 Vict., c. 97, sec. 14.

(*p*) 37 & 38 Vict., c. 57. *Re Frisby, Allison v. Frisby, supra*.

assignee, and against the mortgagee, so as to bar him from all further claim against the mortgaged property (g) ; but where a mortgagor made a settlement of his equity of redemption, and the tenant for life afterwards paid the interest, it was held that such payment was sufficient to prevent the statute barring the mortgagee (r).

As soon as the mortgage is created, the mortgagee, in the absence of any stipulation to the contrary, may immediately enter on the lands, but will be bound to restore them upon performance of the condition by payment of the money on the day named in the deed ; but, of course, as has already been pointed out (s), practically a mortgagee does not enter until default is made, it not being ever meant that he should, nor in any way necessary for his protection. If a mortgagee can obtain peaceable possession, he may do so without any action of ejectment, but if he cannot, then such an action is necessary. Once in possession, the mortgagee may take the rents and profits, but must always be prepared to account for them, and he is liable indeed, not only for everything that he actually receives, but also for everything that he might, but for this default or conduct, have received. Thus, in one case, a brewer held a mortgage of a public-house, and he took possession under such mortgage, and then let the property to a tenant at a rent of £60 per annum, a condition of the tenancy being that the tenant should be bound to take all malt liquors from the landlord, the mortgagee. The Court of Appeal held, that as the house might have been let at a

Mortgagee entering into possession.

Mortgagee in possession must account for rents.

White v. City of London Brewery Company.

; (g) *Newbould v. Smith*, 14 App. Cas., 423 ; 61 L. T., 814, affirming the decision of the Court of Appeal, 33 Ch. D., 127 ; 55 L. J., Ch., 685.

(r) *Dibb v. Walker* (1893), 2 Ch., 429 ; 62 L. J., Ch., 536 ; 68 L. T., 610.

(s) *Ante*, p. 189.

Mortgagee
in possession
cannot go out.

higher rent as a "free house"—that is without the stipulation binding the tenant to take his malt liquors of the landlord—the mortgagee must be charged with such higher rent (*t*). If a mortgagee goes into possession, and then transfers his mortgage to another without the assent of the mortgagor, he will be held liable to account for the profits received, or which ought to have been received, even subsequently to the transfer, upon the principle that, having ejected the mortgagor, it was incumbent on him to take care in whose hands he placed the property (*u*). And a mortgagee who has once taken possession of the mortgaged property is unable to go out of possession again without his mortgagor's consent, and is liable for any loss incurred by his attempting to do so, for having chosen to take upon himself the burden of possession, he must abide by it (*w*).

As to annual
rests.

The usual position of a mortgagee in possession is, that he receives the rents and applies them in payment of costs and interest. He must also, out of any surplus remaining, do any necessary repairs. He is then ordinarily entitled to accumulate any ultimate balances of rent, until he has thus collected enough to pay himself off in one lump sum, for he cannot be compelled to take payment off of his principal, little by little, by means of the surplus rents in his hands from time to time, and thus give the mortgagor the benefit of a proportionate abatement of interest; that is to say, no annual or other rests will ordinarily be made for this purpose. But this rule only applies where the mortgagee has entered not merely to get payment of his principal,

(*t*) *White v. City of London Brewery Company*, 42 Ch. D., 257; 58 L. J., Ch., 855; 38 W. R., 82; 61 L. T., 741.

(*u*) *Fisher on Mortgages*, 833.

(*w*) *Re Prytherch, Prytherch v. Williams*, 42 Ch. D., 590; 59 L. J., Ch., 79; 61 L. T., 799.

but because his interest was in arrear, or it was necessary to enter for the protection of the property, *e.g.*, if it were a mortgage of leaseholds, and he entered to prevent a forfeiture for breach of covenant. The argument is that as he has been compelled to enter for his own protection by reason of a default of the mortgagor other than payment of principal, it would be unjust to visit him with the inconvenience of receiving payment off in this gradual manner. But if no interest was in arrear at the time the mortgagee entered, and there was no other special reason for his entering, then, as he must have entered wholly with a view to getting paid his principal, which payment could only be in a gradual way as the rents came in, he has shown his willingness thus to receive payment by dribblets, and annual rests will be made—that is, a yearly balance will be struck, and any surplus after payment of costs and interest will, from time to time, be applied in reduction of principal, which will produce a corresponding abatement of interest (x).

When annual rests will be made.

A mortgagee in possession is entitled to add to his mortgage debt, and recover from the mortgagor, any costs properly, or reasonably, incurred in relation to the mortgage debt (y), any money he may have properly expended in maintaining his title, any sums properly paid for insurance, or for renewing renewable leaseholds, and any money expended in necessary repairs. But he may not add to his principal, money expended in general improvements, for he has no right to make the estate more expensive and difficult for the mortgagor to redeem than is necessary (z). However, it has been decided that if a mortgagee in

What a mortgagee may add to his mortgage debt.

Shepard v. Jones.

(x) Story, 664, 665; Fisher on Mortgages, 850.

(y) *National Provincial Bank of England v. Games*, 31 Ch. D., 582; Brett's Eq. Cas., 191.

(z) Fisher on Mortgages, 843-845.

possession, or a mortgagee selling under a power of sale, has reasonably expended money in permanent works on the property, he is entitled in any redemption or foreclosure suit, on *prima facie* evidence to that effect, to an enquiry as to whether the outlay has increased the value of the property. If it has done so, his expenditure will be allowed so far as it has increased the value, and in such case it is immaterial whether the mortgagor had notice of the expenditure or not (a). The principle of this decision appears to be that, though the mortgagee could not sue the mortgagor for the money spent in improvements, yet, as the mortgagor's right of redemption is of a purely equitable nature, the Court can, in the exercise of its powers, refuse to allow him to redeem without paying for what has produced an increase in the value of the property, for "He who seeks Equity must do Equity."

Leases by
mortgagee.

Mortgagee
cutting timber.

A mortgagee in possession may make leases similar to those already mentioned as capable of being made by a mortgagor in possession under the provisions of the Conveyancing Act, 1881 (b). Formerly, he could, in the absence of express power, make no satisfactory leases, for the tenancies would end, as regarded the mortgagor, on redemption by him. By the Conveyancing Act, 1881, also, it is provided (c), that a mortgagee in possession may cut and sell timber ripe and fit for cutting, and not planted for shelter or ornament, any such sale to be completed within 12 months from the making of any contract of sale. Before this enactment a mortgagee could only fell timber when his security was insufficient, and this, of course, he can still do, quite irrespective of the Conveyancing Act, 1881, if

(a) *Shepard v. Jones*, 21 Ch. D., 469.

(b) *Ante*, p. 184.

(c) 44 & 45 Vict., c. 41, sec. 19.

such is the case, assuming, of course, that his mortgagor had himself power to commit waste.

It is not now usual to insert in mortgages an express power of sale, ample power being conferred by the Conveyancing Act, 1881 (*d*), which provides that in the case of mortgages made since the Act, the mortgagee shall, when the principal money becomes due, have a power of sale in the ordinary way, but such power is not to be exercised until default in payment after three months' notice to the mortgagor, or unless interest is in arrear for two months, or unless there is a breach of some other provision in the mortgage deed. A mortgagee in selling is not considered as occupying any fiduciary relationship towards his mortgagor, or subsequent mortgagees, which will necessitate him specially studying their interests, as is the case when a trustee sells his *cestui que trust's* property (*e*). He is not a trustee of the power of sale, for such power is given to him for his own benefit, and if he thinks it right to realize his security, and he gives any necessary notices, and does what he fairly can to realize a good price, the Court cannot interfere, and his motives in realizing are quite immaterial. There is nothing to prevent a mortgagee selling to his mortgagor, or one of several mortgagors (*f*); but as regards a sole mortgagor purchasing, it must be borne in mind that he will not thereby defeat the rights of any subsequent mortgagee in the equity of redemption (*g*). In a recent case a mortgagee sold to one of his mortgagors, without the consent of the co-mortgagors, for the exact amount of principal,

Statutory
power of sale.

Mortgagee's
position in
selling.

Mortgagee
selling to
mortgagor.

*Kennedy v.
De Trafford.*

(*d*). 44 & 45 Vict., c. 41, secs. 19-22.

(*e*) See *ante*, p. 75.

(*f*) *Kennedy v. De Trafford* (1897), A. C., 180; 66 L. J., Ch., 413; 76 L. T., 247.

(*g*) *Otter v. Lord Vaux*, 26 L. J., Ch., 128. See also *ante*, p. 177, 178.

How sale
moneys
applied.

interest and costs, and it was held that the sale being *bonâ fide*, it was good, and that the mortgagor who purchased was not accountable to his co-mortgagors for the profits arising from his so purchasing (*h*). But if a mortgagee acts manifestly improperly, or improvidently, as by selling the mortgaged property either to a mortgagor or anyone else for just sufficient to cover his principal, interest, and costs, quite independently of its true value, then he may be liable (*i*); and if he is guilty of some serious blunder or wrong-doing with regard to the property, which causes a large diminution in its price, he will be liable for that (*k*). Money received from any sale by the mortgagee, is applied in discharging prior incumbrances, then all costs of sale, then the particular mortgage debt and interest, then any subsequent incumbrances, and lastly, any balance is paid to the mortgagor, or other person entitled to the ultimate equity of redemption. With regard to any balance on a sale, the mortgagee is a constructive trustee for the mortgagor, or other person entitled to it, and if he does not promptly pay it over, he will be liable to interest thereon unless there is some reasonable excuse for his failure to do so (*l*); and where he cannot ascertain who is the party entitled to the surplus, he ought to invest the same in some proper trustees' investment, and if he fails to do so, he will, like a trustee who neglects to invest trust moneys, be liable to interest from the time of the completion of the sale (*m*). Any action by the mortgagor, or other person entitled, for such balance, must be

(*h*) *Kennedy v. De Trafford* (1897), A. C., 180; 66 L. J., Ch., 413; 76 L. T., 427.

(*i*) *Colson v. Williams*, 58 L. J., Ch., 539; 61 L. T., 71.

(*k*) *Tomlin v. Luce*, 43 Ch. D., 191; 59 L. J., Ch., 164; 62 L. T., 18.

(*l*) *Eley v. Read*, 76 L. T., 39.

(*m*) *Charles v. Jones*, 35 Ch. D., 544; 56 L. J., Ch., 745; 56 L. T., 848. The rate was formerly held to be 4 per cent., but probably now it would be held to be 3 per cent. (*Rowlls v. Bebb* (1900)), 2 Ch., 107; 69 L. J., Ch., 562; 82 L. T., 633.

brought within six years of the receipt of the money, for he is not an express but a constructive trustee, and the rule as to constructive trusts has always—subject to some exceptions (*n*)—been that the Statute of Limitations applies (*o*).

Foreclosure consists of proceedings taken by the mortgagee against the mortgagor, and any subsequent mortgagees, for the purpose of shutting them out from any further right or equity of redemption. The proceedings are taken in the Chancery Division by action, or by originating summons (*p*); or, if the mortgage does not exceed £500 (*q*), the proceedings may be taken either in the Chancery Division, or in the District County Court. In the foreclosure proceedings an account is taken by the Court of what is due to the mortgagee for principal, interest, and costs, and a day is named, usually six months from the date of the Master's certificate, for payment; and even though the defendants to the foreclosure suit are the mortgagor and subsequent mortgagees, the rule is the same, viz., to give but one period for redemption by any of them, and not to allow successive periods of redemption for each (*r*). If the amount certified is not paid by the prescribed time, then the mortgagor, and other persons interested in the equity of redemption, are foreclosed, or shut out, and the mortgagee is at last the absolute owner (*s*), subject to the Court's discretionary power to re-open the

Foreclosure.

When the Court will re-open a foreclosure.

(*n*) See *ante*, p. 101.

(*o*) *Knox v. Gye*, L. R., 5 H. L., 656; *Banner v. Berridge*, 18 Ch. D., 254; 50 L. J., Ch., 630; *Thorne v. Heard* (1895), A. C., 495; 64 L. J., Ch., 652; 73 L. T., 291.

(*p*) Order LV., rule 5a.

(*q*) 51 & 52 Vict., c. 43, sec. 67.

(*r*) *Tufnell v. Nicholls*, 56 L. T., 152.

(*s*) In the case of receipt of rents between the date of the Master's Certificate and the foreclosure being made absolute, a further account will be directed, and a further time (usually a month) given to the mortgagor to redeem. (*Jenner-Fust v. Needham*, 32 Ch. D., 582; 55 L. J., Ch., 629; 55 L. T., 37.)

foreclosure on special grounds, *e.g.*, ignorance of the state of the proceedings, or the day fixed for payment, irregularity in the proceedings, illness, or accidental inability to travel on the part of the person who should have paid the money, or even temporary poverty on the part of such person. And the Court may thus interfere even against a purchaser if he has bought shortly after the foreclosure decree, and with notice of anything which would affect the mortgagee's right to an absolute title under the order. But, for the Court to interfere at all, the applicant must seek relief with reasonable promptness, having regard to the nature of the property, and other circumstances (*t*).

When
foreclosure
should be
resorted to.

However, foreclosure is not a course usually adopted by a legal mortgagee, as sale is in most cases preferable; but there may be cases in which it is best to proceed to foreclose, *e.g.*, where the mortgagee has a scanty security, but thinks he may, as absolute owner, work it out advantageously, as, by building on the land, or making improvements, things that he could not safely do in his capacity of mortgagee. In the case, also, of an equitable mortgage by deposit of deeds, foreclosure is, indeed, the proper and only remedy against the land (*u*); but if the deposit is accompanied by a memorandum of agreement to execute a legal mortgage, then the mortgagee's action may, at his option, be either for foreclosure, or for sale (*w*). It may also be noticed that in any foreclosure or redemption suit (which includes a suit brought by an equitable mortgagee by deposit of deeds (*x*)) the Court has under the Conveyancing

Remedy of
equitable
mortgagee.

(*t*) Fisher on Mortgages, 931, 932; 2 Wh. & Tu., 53, 54.

(*u*) *James v. James*, L. R., 16 Eq., 153; 42 L. J., Ch., 386; 21 W. R., 522; *Re Hodson & Howe's Contract*, 35 Ch. D., 668; 56 L. J., Ch., 555; 56 L. T., 83.

(*w*) *York Union Bank v. Artley*, 11 Ch. D., 205; 27 W. R., 704.

(*x*) *Oldham v. Stringer*, 51 L. T., 895; 33 W. R., 251.

Act, 1881 (y), full power, in its discretion, to direct a sale on such terms as it thinks fit, including, if it thinks fit, the deposit in Court of a reasonable sum to meet the expenses of sale, and to secure the performance of the terms (z). Thus, suppose that, in a foreclosure suit, a mortgagor urges that a sale should be ordered, and the mortgagee objects, alleging that his security is scanty, and that it will be useless to offer the property for sale, the Court might here comply with the mortgagor's request, on the condition that he brought into Court a sufficient sum to meet the probable costs of putting the property up for sale. However, the Court is not bound to direct a sale merely because the party requesting it offers to bring money into Court to cover costs (a).

Other incidental powers of a mortgagee are, to appoint a receiver, and to insure, both of which powers are conferred by the Conveyancing Act, 1881 (b). The mortgagee's power of appointing a receiver arises as soon as the principal money is due, and he is entitled to exercise his power of sale. Such receiver is considered the agent of the mortgagor, but has to deal with the money he receives thus :— (1) In discharging rents, rates, outgoings, &c. ; (2) In keeping down all annual or other payments, and the interest on any principal sums having priority ; (3) In payment of his commission, and of any premiums on proper policies of insurance, and of any sums for necessary or proper repairs directed in writing by the mortgagee ; (4) In payment of interest accruing in respect of the principal money due under the mortgage ; and (5) The residue he pays to the person who,

Mortgagee's power to appoint a receiver, and to insure.

(y) 44 & 45 Vict., c. 41, sec. 25.

(z) *Union Bank of London v. Ingram*, 29 Ch. D., 463 ; Brett's Eq. Cas., 202.

(a) *Merchant Banking Company of London v. The London and Hanseatic Bank*, 55 L. J., Ch., 479.

(b) 44 & 45 Vict., c. 41, secs. 19, 23, 24.

but for his possession, would be entitled to receive the income of the mortgaged property. The mortgagee's power of insurance against fire arises at any time after the date of the mortgage deed, and the insurance must not exceed the amount specified in the mortgage deed, or if no amount is specified, then two-thirds of the amount that would be required, in case of total destruction, to restore the property. All moneys received under the insurance are, in the option of the mortgagee, applied in rebuilding, or in or towards the discharge of the mortgage debt. This power of insuring does not exist when there is a declaration in the mortgage that no insurance is required, or when the mortgagor keeps up an insurance in accordance with the covenant contained in the mortgage deed, or when the mortgage deed contains no covenant as to insurance, and the mortgagor insures to the amount which the mortgagee is authorised to insure for.

Mortgagee
suing after
foreclosure, or
after sale.

*Lockhart v.
Hardy.*

*Rudge v.
Rickens.*

It has already been stated that a mortgagee may exercise all his remedies concurrently, so far as feasible, but it should be observed that if he forecloses, and then sues, the effect is to re-open the foreclosure, and to give the mortgagor a renewed right to redeem. If, therefore, the mortgagee sells the mortgaged property, or any part of it, after foreclosing, he cannot then sue for any deficiency (c). This principle, however, does not apply to a mortgagee who sells under his power of sale, who, can still sue the mortgagor for any deficiency (d). The difference lies in the fact that in the one case the mortgagee has, by foreclosure, taken to the estate, and when he has sold he has done so as owner, and cannot be permitted in one

(c) *Lockhart v. Hardy*, 9 Beav., 349.

(d) *Rudge v. Rickens*, L. R., 8 C. P., 358; Fisher on Mortgages, 931.

breath to say that he was absolute owner because he has foreclosed, and in the other that he is a lender of money suing to recover it; whilst in the other case he has simply sold in his capacity of mortgagee under an express power conferred on him by the mortgage deed, or by statute.

In the absence of any particular circumstances, Priorities. when there are several mortgages on the same estate, they rank according to their dates, but this must be taken subject to the advantage which may sometimes be gained from possessing the legal estate, and, in particular, subject to the doctrine of Tacking, which is presently explained. A legal mortgagee, who has notice of a prior equitable charge at the time he advanced his money, can never avail himself of the protection of the legal estate as against such equitable charge; and, with regard to notice, it may be actual or direct notice, or it may be only constructive notice. As regards actual or direct notice, it is safest to give it to the party himself who is sought to be affected thereby, for it does not necessarily follow that notice to the solicitor of a party is equivalent to notice to him, as there is no such thing as a permanent office of solicitor to a person. Therefore, if notice is not given direct to the individual it is desired to charge with notice, but to his solicitor, the party giving it should always require the solicitor to get an acknowledgment of the receipt of it from his client (e), which, of course, amounts to direct notice to him.

As to what will amount to constructive notice Constructive notice. the rule is, that anything which is sufficient to put a person of ordinary prudence upon enquiry, is constructive notice of whatever that enquiry might reasonably have led to; so that if a mortgagee makes

(e) *Saffron Walden Building Society v. Rayner*, 14 Ch. D., 406; 49 L. J., Ch., 465.

*Agra Bank v.
Barry.*

an advance, and takes a legal mortgage, but does not get the deeds handed over to him, and it turns out that they were deposited with some one by way of equitable security for a previous advance, the legal mortgagee will be deemed to constructively have notice of the prior charge, and will take subject to it, unless, indeed, he at the time of completing his security enquired for the deeds, and a reasonable excuse was given for their non-production. What will, and what will not, amount to constructive notice is a matter depending on the circumstances of each particular case, and, as an illustration, the facts and decision in *Agra Bank Limited v. Barry* (f), may usefully be referred to. In that case, one Mr. Barry having borrowed money to a large amount of his wife, who was executrix of her former husband, and, being pressed by her to execute some security for the same, consented to give a legal mortgage on certain property of his in Ireland. A solicitor in England was employed to prepare the mortgage, and he asked Mr. Barry for the title deeds, and he stated that they were at his residence in Ireland, and thereupon the legal mortgage was executed without their production. It afterward turned out that this was an untrue statement, and that the deeds had in fact been deposited by Mr. Barry at the Agra Bank by way of equitable mortgage. It was held that the legal mortgage had priority, as though the absence of the deeds would primarily amount to constructive notice of the prior equitable charge, yet that this constructive notice was rebutted by the solicitor having enquired for the deeds, and what was a reasonable excuse, under the particular circumstances of the case, having been given for their non-production. On the point of notice it is now also provided by the

f) L. R., 7 Eng. & Ir. App., 135; see also *Oliver v. Hinton* (1899), 2 Ch., 264; 68 L. J., Ch., 583; 81 L. T., 212.

Conveyancing Act, 1882 (g), as follows :—" A purchaser shall not be prejudicially affected by notice of any instrument, fact, or thing, unless (1) It is within his own knowledge, or would have come to his knowledge if such enquiries and inspections had been made as ought reasonably to have been made by him ; or, (2) In the same transaction with respect to which a question of notice to the purchaser arises, it has come to the knowledge of his counsel as such, or of his solicitor or other agent as such, or would have come to the knowledge of his solicitor or other agent as such, if such enquiry and inspection had been made as ought reasonably to have been made by the solicitor or other agent."

Provision of
Conveyancing
Act, 1882, as
to notice.

Tacking may be defined as the uniting of securities given at different times, so as to prevent any intermediate incumbrancer from claiming a title to redeem, or otherwise to discharge, one lien which is prior, without redeeming or discharging the other liens also, which are subsequent to his own title (h). Thus A, B, and C are first, second and third mortgagees respectively, but C when he advanced his money thought he was second mortgagee. Here if C can buy up A's mortgage, and so clothe himself with the legal estate, he will be able to get payment of both mortgages before B, for as has been significantly said, the legal estate is a plank gained by the third mortgagee, as in a shipwreck, *tabula in naufragio*. The doctrine is founded upon the maxim that "Where the Equities are equal the law shall prevail," and in point of equity and conscience, in the instance given above, C has as good a right as B, and, therefore, getting in the legal estate, he is allowed to oust B. The essence,

Definition of
Tacking.

Reason of the
doctrine.

(g) 45 & 46 Vict., c. 39, sec. 3 ; and see *Re Cousins*, 31 Ch. D., 671 ; 55 L. J., Ch., 662.

(h) Story, 264.

Notice
prevents
tacking.

Effect of
registration in
Middlesex and
Yorkshire.

therefore, of the doctrine of tacking is, firstly, the existence, and possession, by the person claiming to tack, of a legal estate, and, secondly, an equal equity, or right in point of conscience, in such person. If all parties have but equitable interests, then the doctrine cannot apply, and in the absence of any circumstances giving some superior equity (*i*), the parties must be relegated to the order of their existence, for the rule then is *Qui prior est tempore potior est jure* (*j*); and though one party may have the legal estate, yet if, at the time he advanced his money, he had actual or constructive notice of the security he is seeking to squeeze out, he cannot succeed in doing so. Middlesex and Yorkshire are counties in which registration of all dealings with land has long been provided for (*k*), and the question arose whether registration of a mortgage in itself constituted notice. This question was decided in the negative, but it has also been held that where there are several charges, they take effect according to priority of registration, and cannot be tacked (*l*). With regard also to Yorkshire, it has been specially provided by the Yorkshire Registries Act, 1884, that no protection or priority by means of the legal estate, or tacking, shall, as from the 1st January, 1885, be permitted as regards lands in Yorkshire, except against an estate or interest existing prior to that date (*m*). As regards land registered under the Land Transfer Acts, 1875 and 1897, it is specially provided that registered charges shall, as between themselves, rank according to the order in which they are entered on the register (*n*).

(*i*) See *Farrand v. Yorkshire Banking Company*, 40 Ch. D., 182, 58 L. J., Ch., 238; 60 L. T., 669; *ante*, p. 13.

(*j*) *Marsh v. Lee*, 2 Wh. & Tu., 107; Story, 267, 268.

(*k*) But if the title to land has been registered under the Land Transfer Acts, 1875 and 1897, no registration in the local registry is necessary.

(*l*) *Credland v. Potter*, 10 Ch., App., 8; 44 L. J., Ch., 169; Fisher on Mortgages, 28.

(*m*) 47 & 48 Vict., c. 54, sec. 16; Fisher on Mortgages, 540.

(*n*) 38 & 39 Vict., c. 87, sec. 28.

Legislative
provisions as
to tacking.

The justice of the doctrine of tacking is undoubtedly open to question (o), but though temporarily swept away, it was very shortly afterwards revived. By the Vendor and Purchaser Act, 1874 (p), the doctrine of tacking was abolished as regards estates and interests created on or since 7th August, 1874; but by the Land Transfer Act, 1875 (q), this provision was repealed except as to anything done before the commencement of the Act (r). Therefore, between 7th August, 1874, and 31st December, 1875, both inclusive, tacking was non-existent.

Mortgage for
future
advances.

Tacking, in a certain sense, may be provided for by a mortgage. Thus, a mortgage may be for £1,000, with power to the mortgagee to make further advances up to £2,000, and add them to his security. It has, however, been decided that if such a mortgagee makes further advances with notice of a mesne incumbrance, he will not be entitled to priority in respect of such further advances (s), and this principle is well illustrated by the case of *Bradford Banking Company v. Briggs* (t). In that case the articles of association of a company registered under the Companies Act, 1862, provided that the company should have "a first and paramount lien and charge, available at law and in equity, upon every share, for all debts due from the holder thereof." A shareholder deposited his share certificates with a bank, as security for the balance due, and to become due on his current account, and the bank gave the company notice of the deposit. It was held that notwithstanding that the share certificates stated that the shares were held subject to the articles of association, yet the company could

*Bradford
Banking
Company v.
Briggs.*

(o) See Story, 268. 269.

(p) 37 & 38 Vict., c. 78, sec. 7.

(q) 38 & 39 Vict., c. 87, sec. 129.

(r) 1st January, 1876.

(s) *Rolt v. Hopkinson*, 9 H. L., Cas. 514.

(t) 12 App. Cas., 29; 56 L. J., Ch., 364; 56 L. T., 62.

not, in respect of moneys which became due from the shareholder to the company after notice of the deposit with the bank, claim priority over the money owing to the bank.

*West v.
Williams.*

It has recently been held that though, in the first mortgage, the mortgagee has actually covenanted to make further advances, the position is the same as if they had been made without there being such a covenant, and that the mortgagee cannot, after notice of a further security having been created, go on making his further advances, so as to tack them to his first advance, and gain priority over the intervening security. The mortgagee is, by reason of the mortgagor having created another security, discharged from his obligation to make the further advances, and if he makes them, he cannot gain any priority over a lender, who has, in the meantime, made an advance and given him notice (*u*).

Mortgagee
losing priority
by negligence.

A mortgagee is also liable to sometimes lose his priority by his own conduct. It has been laid down that the Court will postpone a legal mortgagee to a subsequent mortgagee : (1) Where the owner of the legal estate has assisted in, or connived at, the fraud which has led to the creation of a subsequent equitable estate without notice of the prior legal estate, of which assistance, or connivance, the omission to use ordinary care in inquiring after, or keeping, title deeds may be, and in some cases has been held to be, sufficient evidence, where such conduct cannot be otherwise explained; (2) Where the owner of the legal estate has constituted the mortgagor his

(*u*) *West v. Williams* (1899), 1 Ch., 132; 68 L. J., Ch., 127; 78 L. T., 575; 47 W. R., 308. If a duly registered charge is given of land registered under the Land Transfer Acts, 1875 and 1897, and such charge is to secure further advances, and then a second registered charge is given, the question whether this in itself constitutes notice so as to deprive the first chargee of priority in respect of his further advances must be considered doubtful. (Cherry and Marigoll's Land Transfer Acts, 19, 20.)

agent, with authority to raise money, and the estate thus created has, by the fraud or misconduct of the agent, been represented as being the first estate (*w*). *Briggs v. Jones.*

Thus, where a mortgagee of leasehold property lent the lease to the mortgagor to enable him to produce it and procure a further advance, and the mortgagor procured an advance without disclosing the prior mortgage, it was held that the prior mortgagee, must rank after the other (*x*). To this it may be added that a mortgagee will be postponed, and will be precluded from setting up his legal title, if he is guilty of such gross negligence as would make it unjust for him to be allowed to take up the position of a *bonâ fide* purchaser for value, or mortgagee, and deprive someone else of his security, or other interest (*y*). *Oliver v. Hinton.*

But this gross negligence must be of some very extreme kind, for every mere act of carelessness is not sufficient to postpone a legal mortgagee to a subsequent incumbrancer. Thus, in one case, the manager of the plaintiff company mortgaged his own property to the company, and afterwards abstracted the title deeds from the company's safe by means of a key which he, as manager, had possession of. He then represented the property as being unincumbered, and executed a mortgage to the defendant, handing over the deeds to him. It was held that though the defendant had no notice of the company's mortgage, but believed himself to be first mortgagee, yet the company had not lost its priority, and the defendant's mortgage was subject to theirs (*z*). *Northern Counties Fire Insurance Company v. Whipp.*

A somewhat peculiar doctrine with regard to Consolidation. mortgages, is that known as consolidation of

(*w*) *Northern Counties of England Fire Insurance Company v. Whipp*, 25 Ch. D., 482; 53 L. J., Ch., 629; Brett's Eq. Cas., 210.

(*x*) *Briggs v. Jones*, L. R., 10 Eq., 92.

(*y*) *Oliver v. Hinton* (1899), 2 Ch., 264; 68 L. J., Ch., 583; 81 L. T., 212; 48 W. R., 3.

(*z*) *Northern Counties of England Fire Insurance Company v. Whipp*, 25 Ch. D., 482; 53 L. J., Ch., 629.

Definition.

The original doctrine.

Extension of the doctrine.

Vint v. Padgett.

mortgages, a doctrine which rest on principles wholly different from those forming the foundation of the doctrine of tacking (a). Consolidation may be defined as the right of a mortgagee, having two or more securities from the same mortgagor, to refuse to allow the mortgagor to redeem one of them without redeeming the other, or others (b). This was a doctrine very harmless in its early stages, and founded upon principles of natural justice and equity. Thus, if A mortgages to B., Whiteacre, and then Blackacre, here, to avoid multiplicity of actions, B was held entitled to refuse to allow one only of the estates to be redeemed. Again, "He who seeks Equity must do Equity," and B may have advanced on Blackacre, knowing it to be an insufficient security, but knowing also that Whiteacre was a very ample security, and thinking that the deficiency on the one would be made up by the surplus on the other ; and on this view it was held that it would be inequitable to allow the mortgagor to come and redeem the ample security alone. This doctrine, which was modest and reasonable enough in its commencement, came in course of time to be very much extended, for it was held, in *Vint v. Padgett* (c), that the right to consolidate existed where, though the mortgages were originally to different persons, yet they ultimately became vested in one. The current of decisions extending the doctrine did not stop here, for in one case it was held that a mortgagee of one property, might as against the assignee of the equity of redemption in another property, consolidate with his security, a mortgage from the same mortgagor on that other property, of which he had taken a transfer after the date of the assignment of the equity of redemption

(a) Fisher on Mortgages, 577, 578.

(b) 2 Wh. & Tu., 143.

(c) 2 De G. & J., 611 ; 28 L. J., Ch., 21.

in the second property only (d). As a consequence, great injustice often occurred, and indeed, by reason of the doctrine in its extended state, no one was safe in buying an equity of redemption, for, though he might be willing to give £500 for an estate, subject to an existing mortgage for £2,000, yet there was the risk that he might find the mortgagee, at some subsequent time, possessed of another, and distinct mortgage, from the same mortgagor, and then he would be unable to redeem the property of which he had bought the equity of redemption, without redeeming the other, and he might thus, perhaps, lose the whole benefit of his purchase.

In late years, however, the doctrine of consolidation has been considerably and reasonably modified, it having been now decided that for consolidation to exist as against the owner of one of the equities of redemption, both or all of the mortgaged properties must have, not only been created, but have become vested in the same mortgagee, before any dealing with the equity of redemption in one of them (e). Thus, if A mortgages Whiteacre to B, and Blackacre to C, and then sells the equity of redemption of Whiteacre to D, and then B buys up C's mortgage, B will not be allowed to consolidate to the prejudice of D. It has also been held that consolidation is not to be allowed unless there is default by the mortgagor on both mortgages (f). It must, however, be observed that the cases referred to have not altered the strict decision in the case of *Vint v. Padgett*, for there the equities of redemption were vested in one

Modification
of the doctrine.

*Harter v.
Colman.*

The decision
in *Vint v.
Padgett* still
stands.

(d) *Beevor v. Luck*, L. R., 4 Eq., 537; 36 L. J., Ch., 865; now overruled by *Jennings v. Jordan* and *Harter v. Colman*, *infra*.

(e) *Jennings v. Jordan*, 6 App. Cas., 698; 51 L. J., Ch., 129; Brett's Eq. Cas., 216; *Harter v. Colman*, 19 Ch. D., 630; 51 L. J., Ch., 481; 46 L. T., 152.

(f) *Cummins v. Fletcher*, 14 Ch. D., 699; 49 L. J., Ch., App., 563; 42 L. T., 859.

*Pledge v.
White.*

and the same person, though he was not the original mortgagor. Doubts had, however, been thrown on the decision in *Vint v. Padgett*, but its principle has been thoroughly recognised and acted on recently, by the House of Lords, in the case of *Pledge v. White (g)*. In that case there were seven different mortgages, which had ultimately all become vested in one person, and the equities of redemption in all of them had likewise become vested in another person before all the mortgages had come into the same hands. The owner of the equities of redemption sought to redeem one only of the properties, and the defendants claimed to be entitled to consolidate. It was admitted that if *Vint v. Padgett* was still good law, the plaintiffs could not succeed. The House of Lords decided that the defendants were entitled to consolidate. Lord Halsbury said: "I think the principle laid down in *Vint v. Padgett* has been so firmly established now, by authority, in our technical system, that I feel that more mischief would be done by dissenting from it than by acquiescing in it." Lord Davey delivered an elaborate judgment, in which he reviewed most of the important authorities on the subject. In the course of it he said: "If your Lordships affirm the decree now under appeal, the doctrine of consolidation will be confined within at least intelligible limits. It will be applicable where at the date redemption is sought, all the mortgages are united in one hand and redeemable by the same person, or where, after that state of things has once existed, the equities of redemption have become separated."

Provision of
Conveyancing
Act. 1881.

In considering the doctrine of consolidation, it must, however, be borne in mind that it has been considerably affected by the Conveyancing Act,

1881 (*h*), which provides that with regard to cases in which the mortgages, or one of them, are, or is, made on or after 1st January, 1882, *and so far as no contrary intention is expressed*, a mortgagor seeking to redeem, shall be entitled to do so without paying any money due under any separate mortgage made by him, or by any person through whom he claims, on property other than that comprised in the mortgage which he seeks to redeem. The doctrine therefore only exists where all the mortgages are prior to 1st January, 1882, or where the enactment just referred to is excluded, as is very often the case.

If a mortgagee realizes his security during his mortgagor's lifetime, and the mortgagor is the party absolutely entitled to the equity of redemption, there is nothing to prevent the mortgagee from applying the balance of the sale moneys to make good the deficiency on another mortgage, or indeed to satisfy any other debt which may be owing to him by the mortgagor (*i*). If, however, a mortgagee realizes his security after the death of the mortgagor, and has then a surplus in his hands after payment off of the mortgage, he has no right to retain that surplus in satisfaction of another debt the deceased owed him, to the prejudice of other creditors. Thus, G died insolvent, having mortgaged an estate for his own life, to secure an annuity granted by himself, payable during his own life. He had also mortgaged a policy on his own life to the same mortgagees. After the death of G, the mortgagees received, in respect of the policy, a sum more than sufficient to satisfy the amount secured on it, and they claimed to be entitled to set off the balance against an amount owing to them in respect of the arrears of the

Mortgagee realizing after death of mortgagor, and claiming to retain surplus towards another debt.

Re Gregson.

(*h*) 44 & 45 Vict., c. 41, sec. 17.

(*i*) *Selby v. Pomfret*, 3 De G. F. & J., 595.

annuity. The Court decided that they had no such right (*k*)

Position on
payment off of
mortgage.

On payment off of a mortgage, the estate is re-conveyed to the mortgagor, or other person standing in his shoes, and entitled to the equity of redemption; and there is a duty cast on the mortgagee to see that he transfers to the proper party, and he is liable for any loss caused to persons by his not doing so (*l*). It is, therefore, essential that a mortgagee should carefully preserve any notices he may receive of subsequent mortgages effected by the mortgagor. If no re-conveyance takes place, then the position of the mortgagor is technically that of tenant-at-will to the mortgagee, and that tenancy will, under the Statute of Limitations (*m*), be deemed to have determined at the end of a year from the payment off; and twelve years after that time any right or estate of the mortgagee will be barred, and the mortgagor's position will be the same as if the property had been re-conveyed to him (*n*). If a mortgage of fee simple property is cancelled by a mortgagee, such cancellation destroys the debt, but it does not operate to re-vest the estate, and the mortgagee becomes a trustee of the legal estate for the mortgagor (*o*).

Cancellation
of mortgage.

Disadvantages
of a second
mortgage.

In the foregoing pages the student will have observed that a person taking a second mortgage of property is not in as advantageous a position as a first mortgagee, and the disadvantages of a second mortgage may be summarized as follows:—(1) The second mortgagee does not get the legal estate, or

(*k*) *Re Gregson, Christison v. Bolam*, 36 Ch. D., 223; 57 L. T., 250.

(*l*) *Magnus v. Queensland National Bank*, 36 Ch. D., 25; 56 L. J., Ch., 927; 57 L. T., 136.

(*m*) 3 & 4 Will. IV., c. 42, sec. 7.

(*n*) *Sands to Thompson*, 22 Ch. D., 614; 52 L. J., Ch., 405; 48 L. T., 210. See *Indermaur's Conveyancing* 194, 281.

(*o*) *Fisher on Mortgages*, 728.

the deeds, both of which are taken by the first mortgagee ; (2) He is liable to be postponed in some cases, by reason of the doctrine of tacking ; (3) He is entirely subject to the first mortgagee, and can only exercise his powers subject to the first mortgagee's rights ; (4) He is liable to be made a party to a foreclosure suit, or to the property being sold over his head, and it may be necessary for him, to prevent his losing the entire security by the enforcement by the first mortgagee of his rights, to pay him off, and thus take the security into his own hands.

CHAPTER VI

THE RECTIFICATION AND SETTING ASIDE OF WRITTEN
INSTRUMENTS, AND HEREIN OF ACCIDENT, MIS-
TAKE, AND FRAUD.

THE assistance of the Court to rectify, or set aside, any written instrument is chiefly sought on grounds coming under the heads of mistake, or fraud, and in some exceptional cases on the ground of accident. These subjects, no doubt, embrace more than questions of rectification, but it appears convenient to consider them together.

Definition of
an accident.

An accident remediable in Equity, may be defined as some unforeseen event, misfortune, loss, act, or omission, not the result either of gross negligence, or misconduct, in the party (*p*). This is very different to what is understood by an accident in the ordinary sense in which that expression is used, for it then usually signifies any occurrence not referable to design, but in cases of that character only, the Court never gives relief. Thus, if a lessee covenants to keep the demised premises in repair, he will be absolutely bound by this covenant, notwithstanding anything that may happen, *e.g.*, that the premises are destroyed by lightning, or by public enemies, or any other extraordinary event, and the reason is that he might, by his contract, have provided for any such contingencies, if he had chosen (*q*).

Defective
execution of
powers.

A good instance of an accident, recognized as such by the Court, occurs in the case of the defective

(*p*) Story, 50.

(*q*) Story, 50, 57.

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A good instance of an accident, recognized as such by the Court, occurs in the case of the defective

(*p*) Story, 50.

(*q*) Story, 50, 57.

execution of a power of appointment, although such a defect is, perhaps, more likely to occur by reason of mistake, of which, therefore, it also forms an example. The Court does not, however, in all cases interfere, because, either through accident or mistake, a power is insufficiently or defectively executed, but it grants relief only in favour of persons who are considered as, in a moral sense, entitled to such assistance, and are, therefore, viewed with peculiar favour, and then only where there are no opposing equities. The persons thus favoured are a purchaser, a creditor, a wife, a legitimate child (but not a grandchild), and a charity. The Court will not relieve in favour of a husband, unless, indeed, he is an intended husband at the time, when, of course, he is a purchaser (r).

In whose
favour the
Court relieves.

It is not every defect in the execution of a power that the Court will relieve in respect of, but only when the defect is not really of the very essence of the power. Thus, a defect in executing a power by will, when it was required to be by deed, or other instrument *inter vivos*, will be aided, as will the want of a seal, or of witnesses, and defects in the limitation of the property, estates, or interests. But, if a power is to be executed with the consent of certain parties, this is of the essence of the matter, and relief cannot be given to aid an execution of the power made without such consent. So, also, if a power is required to be executed by will, and it is executed by an irrevocable and absolute deed, the Court will not support such an execution, for it is apparently contrary to the settlor's intentions, a will being always revocable during the testator's lifetime, whereas a deed would not be revocable unless it is expressly so stated in it (s).

What defects
remedied.

Tollet v.
Tollet.

(r) Story, 59; *Tollet v. Tollet*, 2 Wh. & Tu., 289.

(s) Story, 59, 60.

No relief
against
non-execution
of power.

Except when
execution
prevented by
fraud ;

Or when
power coupled
with a trust.

But although the Court relieves against the defective execution of a power, it stops short there, and refuses to relieve as regards the non-execution of a power (*t*). Thus, if A has a power of appointment, and is about to exercise it in favour of B, when he is suddenly called away, and then he dies before he can execute it, here the Court will not give relief in favour of B. To this rule there may be said to be two exceptions. The first of such exceptions is when the execution has been prevented by fraud (*u*). Thus, suppose that A has a power of appointment, and, in default of appointment, the property is to go to B. A is about to exercise the power in favour of C, but B, to prevent him doing so, untruly represents that C has been provided for by some other person, and, believing this, A does not appoint, and dies, leaving the property to go in default of appointment to B. Here, B would not be allowed to benefit by his fraud, but C, if he could prove these facts, would get relief. The second exception—if, indeed, it can be called one—is where the power is not a bare power, but is coupled with a trust, for in all such cases Equity will interfere, and grant suitable relief (*w*). Thus, for instance, if a testator should by his will devise certain property to A, with directions that A should, at his death, distribute the same amongst his children, and other relations, as he should choose, and A should die without making such distribution, the Court would interfere and make a suitable distribution, because it is not given to the devisee as a mere power, but as a trust and duty which he ought to fulfil, and his omission, whether from accident or otherwise, ought not to disappoint the objects of the testator's bounty. It would be

(*t*) *Tollet v. Tollet*, 2 Wh. & Tu., 289 ; Story, 58.

(*u*) Story, 58.

(*w*) *Harding v. Glynn*, 2 Wh. & Tu., 335.

very different if it were the case of a mere naked power, and not a power coupled with a trust (x). Thus, in a recent case, a marriage settlement gave freeholds to the wife for life, with remainder as she should by will appoint, with a gift over in default of appointment. The wife by will gave the freeholds to her husband for life, with power to him to dispose of them by will amongst their children. There were several children, but the husband died without appointing. It was held that the husband had only a mere power of appointment, and that, it not having been executed, the children could not take, but the gift over in the settlement took effect (y).

Re Wake's Settlement.

As other instances in which the Court will give relief on the ground of accident, may be mentioned the following:—

Other instances of accident.

An executor, having to pay various legacies, carelessly pays some in full, and the estate is insufficient to pay all in this way, so that there ought to have been a proportionate abatement. Here, if the executor is insolvent, the unpaid legatees have a right against those who have been paid in full, to compel them to refund in proportion (z).

Wrong payment of legacies.

An annuity is given by will, and the executors are directed to set aside a sufficient amount of certain stock to meet such annuity. This they do, but subsequently the stock is reduced by Act of Parliament, so that the annuity falls short. The Court will decree the deficiency to be made up against the residuary legatee (a).

Reduction of stock.

(x) Story, 60; and see *Burrough v. Philcox*, 5 My. & C., 72.
 (y) *Re Wake's Settlement* (1897), 1 Ch., 289; 66 L. J., Ch., 179; 76 L. T., 112.
 (z) Story, 57.
 (a) Story, 58.

Lost bonds.

One of the most common cases of the interposition of Equity under the head of accident, was formerly in the case of lost bonds, or negotiable instruments. At Common Law an action could not be brought upon a lost bond, because there could be no *profert* of the instrument, so that in all such cases relief was sought in Equity. But, in more recent times, it has been unnecessary to come to Equity in such matters, as the Courts of Law entertained jurisdiction, and dispensed with the *profert*, if an allegation was made of loss by accident (*b*). So also, formerly, Equity would give relief, on the ground of accident, in the case of lost bills of exchange, and other negotiable instruments; but to seek such special relief has now long been unnecessary, it having been provided that, on application made, the Court may, on a proper indemnity being given, refuse to allow the loss of the instrument to be set up (*c*).

Definition of mistake.

Mistake may be defined as some unintentional act, omission, or error, arising from ignorance, surprise, imposition, or misplaced confidence (*d*). A mistake may be either of matter of fact, or of law; and whilst as to the former the rule is, *Ignorantia facti excusat*, the rule as to the latter is just the contrary, viz.:—*Ignorantia legis neminem excusat*. These two simple rules or maxims do not, however, at all adequately answer the question of when Equity will give relief in cases of mistake, and it is, therefore, necessary to consider the matter more in detail.

Mistakes of fact.

With regard to mistakes of fact, the mistake may be either unilateral—that is, on one side only—in which case relief is almost universally given, more on the ground of surprise, or fraud, practised on the

(*b*) Story, 51.

(*c*) 17 & 18 Vict., c. 125, sec. 87; 45 & 46 Vict., c. 61, sec. 60.

(*d*) Story, 65.

other party, than strictly on the ground of mistake (*e*) ; or it may be a mutual mistake on the part of both parties. In all cases, to entitle a person to relief, the fact on which there was the mistake must have been one material to the matter. Thus, suppose A were to sell to B an estate well-known to both, and their mutual idea was that the area was 100 acres, whereas it really contained something less, but the difference would not have varied the purchase in the view of either party, such a mistake as this would not form any ground for rescinding the contract (*f*).

The mistake must have been material.

Mistake pure and simple—that is, mutual mistake—is unconnected with fraud, for here, however innocent both parties may be, yet the Court will relieve if the mistake is so material that it in fact goes to the essence of the contract. Thus, if one agrees to sell, and another to buy, a house which actually at that time is not in existence—say, through having been destroyed by fire, or washed away by a flood—the Court will relieve the purchaser, upon the ground that both parties intended the sale and purchase of an existing thing, and implied its existence as the basis of their contract. So, again, if one person understands that, in buying an estate, a certain piece of land is included as parcel thereof, but the other party had no intention of selling that piece of land, here the Court would set aside the contract (*g*).

Mutual mistake unconnected with fraud.

The general rule on the point of what mistakes of fact form ground for obtaining relief is, that mistake, or ignorance of facts, is a proper subject

General rule as to giving relief.

(*e*) Story, 90.

(*f*) Story, 86, 87.

(*g*) Story, 88 ; see also *Cooper v. Phibbs*, L. R. , 2 H. L., 149 ; Brett's Eq. Cas., 84.

for relief only when it constitutes a material ingredient in the contract of the parties, and disappoints their intentions by a mutual error; or where it is inconsistent with good faith, and proceeds from the violation of the obligations which are imposed by law upon the conscience of either party. But where each party is equally innocent, and there is no concealment of facts which the other party has a right to know, and no surprise or imposition exists, the mistake or ignorance, whether mutual or unilateral, is treated as laying no foundation for equitable interference, unless indeed as above stated it is a matter which goes to the essence of the contract (*h*). And it should be noticed that acquiescence in a mistake will deprive a person of any right to be relieved against it (*i*).

Remedy in
cases of
mistake.

The remedy given by the Court in cases of mistake, is sometimes rescission of the contract, and sometimes rectification of its terms. The general rule is, that when a mistake is mutual, the Court will rectify the instrument by substituting the terms really agreed on, though of course, if the mistake goes to the essence of the contract, then it is entirely abrogated. But when the mistake is unilateral, then the remedy is rescission, though the Court may, if it thinks fit to do so, in lieu of rescission, give the defendant the option of having the contract rectified, so as to make it, in fact, what the plaintiff intended it should have been. Cases in which the Court will rescind, rather than rectify, border often closely on fraud, and, in the most direct and proper instances of mistake, rectification is the usual redress that the Court gives. Sometimes by mistake, an instrument contains less than the parties intended, sometimes more, and sometimes, it simply varies

(*h*) Story, 92.

(*i*) *Earl Beauchamp v. Winn*, L. R., 6 Eng. & Ir. Apps., 223.

from their intent by expressing something different in substance from what was intended. In all such cases the rule is, that if the mistake is clearly made out by satisfactory proofs, Equity will reform the contract, so as to make it conform to the precise intent of the parties (*k*). Thus, marriage settlements are often reformed and varied, so as to conform to the previous articles, on the strength of which the parties married, or which the settlement is recited to be made in pursuance of (*l*). Where there are discrepancies between marriage articles and a subsequent marriage settlement, the rule is, that if the articles were executed before marriage, and the settlement afterwards, then the articles govern, and the settlement will be rectified so as to conform to the articles; but where both the articles and the settlement were made before marriage, then, if there is any difference between them, the parties are concluded by the settlement, and that governs, as being the more complete and final instrument, unless, indeed, the settlement recites that it is made in pursuance of the articles, when it will be made subservient to them (*m*). And generally when there is some memorandum or note of a transaction, and then a formal instrument is executed, any such memorandum or note is admissible for the purpose of shewing a mistake in the formal instrument, provided that in all such cases it is clearly shewn that the parties meant, in the final instrument, merely to carry into effect the transaction indicated by their prior memorandum or note (*n*).

Differences between marriage articles and marriage settlements.

Legg v. Goldwire.

In some cases the Court will relieve where, irrespective of actual proof of error, a mistake may be

Mistake implied.

(*k*) Story, 92.

(*l*) *Legg v. Goldwire*, 2 Wh. & Ta., 770.

(*m*) *Ibid.*

(*n*) Story, 96.

fairly implied from the nature of the case. Thus, where there has been a joint loan of money to two or more obligors, and they are by the instrument made jointly liable, but not jointly and severally, the Court has reformed the bond, and made it joint and several, upon the reasonable presumption, from the nature of the transaction, that it was so intended by the parties (*o*).

No relief
against a *bonâ
fide* purchaser

Notwithstanding that an instrument may, by mistake, not be what the parties intended, and may confer an estate not meant to be conferred, yet until rescinded or rectified by the Court, the instrument stands; and, therefore, if any disposition is made under or by virtue of such instrument, whereby the property comprised therein becomes vested in a *bonâ fide* purchaser for value without notice of the mistake, and he has the legal estate, the Court will not grant any relief as against him, upon the common rule, "Where the Equities are equal the law shall prevail" (*p*).

Rectification
of wills.

The jurisdiction of the Court to rectify and reform written instruments, applies not only to instruments *inter vivos*, but also to wills, when the mistake can be made out from the words in the will itself, but not otherwise, for parol evidence is not admissible in such a case to show that something was intended by the testator, which the will does not express (*q*). If, however, a gift is made by a will, and no persons are found to fit in with the description the will contains, extraneous evidence may be given to show who was meant by the erroneous description. Thus, in a recent case a testator left £100 apiece to each of the daughters of a person described as his "late

*Re Waller,
White v.
Scoles.*

(*o*) Story, 99.

(*p*) Story, 109. As to this maxim, see *ante*, pp. 10-17.

(*q*) Story, 110.

friend, Ignatius Scoles." There was an Ignatius Scoles living at the testator's death, but he had no daughter, and was in fact unmarried. He had a father, Joseph John Scoles, who had predeceased the testator, and who had left five daughters, and it was palpable that the testator meant these daughters, and had, by mistake, described them as the daughters of Ignatius Scoles, instead of the daughters of Joseph John Scoles. The Court admitted evidence to show that this was really the intention of the testator, and directed the legacies to be paid to the five daughters of Joseph John Scoles (r). The Court will also give relief against the revocation of a legacy, when the revocation was made under a mistake. Thus, if a testator by a codicil revokes a legacy, which by his will he has given to A, giving as a reason that A is dead, whilst in fact A is living, Equity will hold this revocation invalid, and order the legacy to be paid (s).

Revocation of legacy under mistake

With regard to mistakes of law, the probable ground for the maxim *Ignorantia legis neminem excusat* is, that, were it otherwise, there is no saying to what extent the excuse of ignorance might not be carried (t). One of the most common cases put to illustrate the doctrine, is where two or more are bound by bond, and the obligee releases one, supposing, by mistake of law, that the other will still remain bound; in such a case the obligee will not be relieved in Equity on the ground of mistake of law (u). In the same way, if a creditor releases his debtor, and there is a surety who is also incidentally released by this act, no relief will be given because the creditor did not know the law, and thought that he would still

Mistakes of law.

Release of one of several obligors.

(r) *Re Waller, White v. Scoles*, 68 L. J., Ch., 526; 80 L. T., 701; 47 W. R., 563.

(s) Story, 111.

(t) *Per* Lord Ellenborough, 2 East, 469.

(u) Story, 67.

have his rights against the surety. So also where a person had a power of appointment, and executed it absolutely, without introducing a power of revocation, thinking erroneously that being a voluntary deed it was revocable, relief was refused because his mistake was one of law (*w*). If, however, the power of revocation had been intended to be inserted, but was somehow omitted by mistake, that would be different, for the Court would in such a case relieve, as that would be really mistake of fact (*x*).

When the Court will relieve in respect of mistakes of law.

Lansdowne v. Lansdowne.

In some exceptional cases, however, notwithstanding the general rule, the Court will relieve although the mistake is one of law (*y*). Such cases are, however, rare, and on an examination of various decisions in which it appears that relief has been thus given, it will mostly be found that they involve mixed principles, embracing sometimes mistakes of fact also, and sometimes surprise, or even fraud. From these decisions, however, we may gather that there is one class of cases in which, although substantially the mistake is one of law, yet the Court will give relief, viz. : Where there is a plain and established doctrine on the subject, so generally known, and of such constant occurrence, as to be understood by the community at large ; for here ignorance of law, and of title founded on it, is ground for the Court giving its assistance, so that if any person, acting in ignorance of the plain and settled rule of law, is induced to give up a portion of his indisputable property to another, under the name of a compromise, the Court will grant relief (*z*). Thus, if through ignorance of the common rule of descent that the eldest son is heir, such son were to divide the estate with his

(*w*) *Worrall v. Jacob*. 3 Meriv., 195.

(*x*) Story, 67.

(*y*) *Lansdowne v. Lansdowne*, 2 Jacob & Walker, 205 ; *Bingham v. Bingham*, 1 Ves., 126.

(*z*) See Story, 70, 76.

brother, relief would be given. The real reason of this exception to the maxim *Ignorantia legis neminem excusat*, seems to be, that the mistake is of such a kind that it gives rise to an almost irrebuttable presumption of undue influence, imposition, mental imbecility, surprise, or confidence abused; so that to some extent it may fairly be said that the exception is more apparent than real, that the mistake of law is not the foundation of the relief, but is the medium of proof to establish some other proper ground of relief (a).

Reason the Court relieves in such a case.

But where there is a doubtful point of law, such as a question respecting the true construction of a will, there is nothing whatever to prevent a compromise, and though naturally one party must be wrong in his view, yet he can never afterwards seek relief on the ground of mistake, that is, assuming that the compromise was fairly entered into with due deliberation (b). In all cases of compromises which to any material extent depend on certain matters of fact as the basis of the compromise, there must be a full and fair disclosure by each party to the other, of all the facts connected with the matter which are known to him, and which might influence the other.

Compromise of a doubtful point of law.

Stapilton v. Stapilton.

A family compromise entered into for the purpose of settling disputes which have arisen between the parties, will always be upheld if the parties have acted fairly towards each other, although it may afterwards turn out that the parties, or one of them, was quite mistaken in the fact, *e.g.*, in cases of suspected illegitimacy. But there must be complete fairness between the parties, and if there is any concealment, or even omission to make disclosures, of pertinent

Family compromises.

(a) Story, 76.

(b) *Stapilton v. Stapilton*, 1 Wh & Tu., 223; Story, 68.

*Gordon v
Gordon.*

facts known to any of the parties, the arrangement will be set aside (c). Thus, in one case there had been an agreement between two brothers for the settlement of the family estates, as the younger disputed the elder's legitimacy. At the time of the agreement, however, the younger brother was aware of a private marriage that had taken place, but he did not communicate this to the other. The legitimacy of the elder brother was afterwards established, and although some nineteen years had elapsed, the Court set aside the compromise, holding that it mattered not whether the omission to disclose originated in design, or in an honest opinion of the invalidity of the private marriage, and of there being no obligation on the younger brother's part to make, or utility in making, the communication (d).

Foreign law.

It may be observed that ignorance of foreign law is deemed ignorance of fact, and therefore relief may be obtained on that ground, as in other cases of mistakes of fact.

Reason of
the Court's
interference in
cases of
mistake
generally.

The effect of the Court's interference on the ground of mistake, is, naturally, in many cases to upset or to vary written documents, and the reason of its entertaining jurisdiction and giving the relief it does, has been well stated by Mr. Justice Story in his work on Equity jurisprudence, as follows:—"It is difficult to reconcile this doctrine with that rule of evidence at the Common Law, which studiously excludes the admission of parol evidence to vary or control written contracts. The same principle lies at the foundation of each class of decisions, that is to say, the desire to suppress frauds, and to promote general good faith and confidence in the formation

(c) Story, 79, 80

(d) *Gordon v. Gordon*, 3 Swanst., 400. See as to family arrangements generally, irrespective of any compromise of doubtful rights. *Williams v. Williams*, L. R., 2 Ch., 294; Brett's Eq. Cas., 293.

of contracts. The danger of setting aside the solemn engagements of parties, when reduced to writing, by the introduction of parol evidence substituting other material terms and stipulations, is sufficiently obvious. But what shall be said where those terms and stipulations are suppressed, or omitted, by fraud or imposition? Shall the guilty party be allowed to avail himself of such a triumph over innocence and credulity, to accomplish his own base designs? That would be to allow a rule, introduced to suppress fraud, to be the most effectual promotion and encouragement of it. And hence, Courts of Equity have not hesitated to entertain jurisdiction to reform all contracts where a fraudulent suppression, omission, or insertion of a material stipulation exists, notwithstanding to some extent it breaks in upon the uniformity of the rule as to the exclusion of parol evidence to vary or control contracts, wisely deeming such cases to be a proper exception to the rule, and proving its general soundness" (e).

The Court will decline to rectify an alleged mistake, even in a voluntary settlement, on the unsupported evidence of the settlor as to what his intentions really were (f). Evidence of mistake.

It is evident that mistake is often closely allied to fraud; although, of course, as has been pointed out, there may be cases in which all parties concerned in a mistake are perfectly innocent. Fraud in Equity may be described as such conduct on the part of a person as is either deliberately wrong, or is considered by the Court as wrong, and which therefore forms a ground for the assistance of the Court, to set aside a transaction tainted with it, or a ground Fraud.

What is fraud in Equity?

(e) Story, 93.

(f) *Bonhole v. Henderson* (1895), 2 Ch., 202; 72 L. T., 814; 43 W. R., 580.

upon which to resist liability in respect of it. The ways and modes of fraud are infinite, and the Court of Chancery has always declined to lay down any general proposition as to what shall constitute fraud, so that it is impossible to accurately define it.

Definitions of actual and constructive fraud.

Fraud in Equity is of two kinds, Actual and Constructive. Actual fraud may be defined as something said, done, or omitted by a person, with the design of perpetrating what he must have known to be a positive fraud. Constructive fraud may be defined as something said, done, or omitted, which is construed as a fraud by the Court, because, if generally permitted, it would be prejudicial to the public welfare. The great distinction to be observed, is that whereas in actual fraud there is the design to do evil, in cases of constructive fraud there may be no such design, and the act may, indeed, in the opinion of the person chargeable therewith, amount to nothing more than was allowable and justifiable. It is only the Court which steps in, and declares what is done to be a fraud, as calculated to do harm; and, in fact, in many cases of constructive fraud there may really be nothing harmful in the individual transaction, but, to allow it to be good in one particular instance, would be to open the door to much possible evil in other cases.

Distinction.

Actual fraud.

Dealing first with actual fraud, it presents itself as being either *suggestio falsi*, or *suppressio veri*.

Suggestio falsi.

If a person makes an untrue representation to another, which he knew at the time to be false, or which even though he did not actually know to be false, still he did not believe to be true, or which he made recklessly without any knowledge or actual belief in its truth, and he has thereby induced the other to act on the faith of his representation, then if the representation was of a material kind the Court will relieve, and will set the transaction

aside (g). But when a representation which is made, is honestly believed in, then, though in fact it is untrue, and though it was made carelessly, and without due enquiry, this will not amount to fraud (h). As to cases of *suppressio veri*, it is not every concealment, even of facts material to the interests of a party, which will entitle him to the interposition of the Court, but the case must amount to the keeping back of facts which one party is under some legal, or equitable, obligation to communicate to the other, and which the other has a right to know, not merely *in foro conscientiæ*, but *juris et de jure* (i). Fraud of the *suggestio falsi* class, affords not only a ground for setting aside a transaction, but also gives the person injured a right of action for damages caused to him thereby; but if the fraud simply consists of *suppressio veri*, the only right gained thereby, is to have the transaction set aside, or to resist its enforcement, and an action for damages cannot be maintained.

Suppressio veri.

Remedies in respect of fraud.

In the great majority of dealings between two parties, there is strictly no obligation on the part of the one to inform the other of any circumstances connected with the matter, for each must look out for himself (k). The maxim *Caveat emptor* in fact applies. Thus, there is no obligation cast on a vendor of land, either at Law or in Equity, to disclose defects in the property he is selling to the purchaser, when they are of a patent nature which the purchaser could ascertain for himself, *e.g.*, that there is a right-of-way over the property (l); but any latent defect—

Silence not ordinarily fraud.

Vendor not bound to disclose defects.

(g) *Redgrave v. Hurd*, 20 Ch. D., 1; 51 L. J., Ch., 113; *Smith v. Chadwick*, 9 App. Cases, 187; 53 L. J., Ch., 873; *Edgington v. Fitzmaurice*, 55 L. J., Ch., 650.

(h) *Derry v. Peek*, 14 App. Cases, 337; 58 L. J., Ch. (II. L.), 864; 38 W. R., 33; *Low v. Bouverie* (1891), 3 Ch., 82; 60 L. J., Ch., 594; 65 L. T., 533.

(i) Story, 131-133.

(k) *Turner v. Green* (1895), 2 Ch., 205; 64 L. J., Ch., 539; 72 L. T., 763.

(l) *Oldfield v. Round*, 5 Ves., 508.

Purchaser not bound to inform vendor of special value of estate.

that is, one which the purchaser could not ordinarily find out for himself—must be disclosed. Thus, suppose there is some structural defect in a house known to the vendor, but which could not be discovered by any ordinary purchaser, the vendor is bound to disclose this. All defects of title must also be disclosed by a vendor. There is ordinarily also no obligation cast on a purchaser to disclose facts to his vendor which render the property more valuable than the vendor thought it to be, for every one must be supposed to know the value of the property he is selling. Thus, a purchaser is not bound to inform the vendor that he knows of minerals in the land, of which fact the vendor is ignorant, and which renders the property of much greater value. In such cases the question is, not whether an advantage has been taken which in point of morals is wrong, but it is essentially necessary, in order to set the transaction aside, that there should have been some obligation on the part of the individual to give the information. A Court of Equity will not correct or avoid a contract merely because a man of nice honour would not have entered into it; the case must fall within the idea of fraud as recognised by the Court, and the rule must not be extended so as to affect the general transactions of mankind (*m*). But if there is not merely an omission to inform, but there is in fact a misrepresentation, this may be fraud, as if the purchaser is expressly asked by the vendor if he is aware of there being any special circumstances of value connected with the property, which he, the vendor, is not aware of, and the purchaser replies in the negative, though possessed of this knowledge.

Cases in which disclosure necessary.

It may be well, however, to notice some specific cases in which concealment or non-disclosure of facts

will be held to constitute fraud. By far the most comprehensive class of cases arises where a fiduciary relationship exists between the parties, for anything material kept back here by the person occupying the fiduciary position, will be sufficient to induce the Court to set the transaction aside (*u*). Cases of insurance also furnish another instance in which disclosure is necessary, for if the insurer keeps back any material fact which might have influenced the granting of the policy, this will amount to fraud. There must here be every disclosure, and if any material facts are withheld, whether the concealment be by design, or accident, it is equally fatal. Thus, if a person in proposing his life for insurance, omits to inform the insurance company that his life has been rejected by another office, and the company accepts his proposal, and issues the policy not knowing of this, here is good ground for setting the same aside (*o*). Again, if a creditor takes a guarantee for some debt of a third person, and is at the time aware of facts, of which the surety is ignorant, which render his liability and risk much greater than he supposed, the creditor is bound to inform him thereof (*p*). And the necessity of full disclosure in the matter of family compromises or arrangements has already been referred to (*q*). All matters of this nature are said to be *uberrimæ fidei*, that is to say, the fullest disclosure must be made, and the greatest fairness observed.

Trustees, &c.

Insurances.

Surety.

There are certain cases in which, from the exceptional position in which a party is placed, any dealing with him is not looked at in the same way as a similar transaction would be if entered into with a person not so situated. Thus the Court

Persons in an exceptional position.

(*u*) Story, 138 ; and see hereon *ante*, p. 95, and *post*, p. 240.

(*o*) *London Assurance Company v. Mansel*, 11 Ch. D., 363 ; 48 L. J., Ch., 331.

(*p*) *Pidcock v. Bishop*, 3 B. & C., 605.

(*q*) *Ante*, p. 225.

Lunatics and
idiots.

Persons of
weak under-
standing.

Intoxicated
persons.

watches, with the most jealous care, every attempt to deal with persons *non compos mentis*, and whenever there is any evidence of the absence of good faith, or the transaction cannot be for their benefit, the Court will set it aside, or make it subservient to their just rights and interests (r). And this same principle is applied to some extent to persons who, though not actually *non compos mentis*, are yet of weak understanding, for it is a rule that, as such persons are specially liable to imposition, their acts and contracts will be set aside, if of such a nature as to justify the conclusion that they have been imposed upon, circumvented, or overcome, by cunning, artifice, or undue influence (s). So, also, if a contract is entered into with a person who is in such a state of drunkenness as to be deprived for the time of the use of his reason and understanding, the Court will interfere. But if there is not that extreme degree of drunkenness, the Court will not give any relief, unless there has been some contrivance or management to draw the party into that state, or some unfair advantage taken of his condition (t).

Proof of fraud.

To make out a case of actual fraud some proof thereof must be given, and circumstances of mere suspicion will not be sufficient. The Court of Chancery has always acted on a lower degree of proof of fraud than was accepted by the Courts of Law, but as Law and Equity are now fused, and the rules of Equity prevail, there is no object in here considering this difference. The Court does not insist upon positive and direct proof of fraud, for it

(r) Story, 143, 144. But the mere fact that a person is of unsound mind is no ground in itself for setting a contract aside, unless, at the time, his insanity was known to the other party. (*Imperial Loan Company v. Stone* (1892), 1 Q. B., 599; 61 L. J., 1 Q. B., 449; 66 L. T., 556.)

(s) Story, 146.

(t) Story, 145.

would in many cases be an utter impossibility to give such proof, but the Court will deduce the evidence, from circumstances affording strong presumption (*u*) Mere inadequacy of price is not by itself, ordinarily, a sufficient circumstance from which the Court can conclude that there is fraud, for persons must be left to judge for themselves as to the value of their property (*w*). If, however, the inadequacy is so gross as to manifestly demonstrate some imposition, or undue influence, or, as it is sometimes expressed, to "shock the conscience," or, if there are other suspicious circumstances in addition to the inadequacy, then it is otherwise, and the transaction may be set aside (*x*). But the Court will not relieve in all cases even of very gross inadequacy attended with circumstances which might otherwise induce them to act, if the parties cannot be placed *in statu quo*—as for example in cases of marriage settlements, for the Court cannot unmarry the parties (*y*).

Inadequacy of price.

In connection with this subject, the Money Lenders Act, 1900 (*z*), must be noticed. That Statute provides (*a*) that if proceedings are taken in any Court by a money lender to recover money lent after 1st November, 1900, or to enforce any agreement, or security, made or taken after 1st November, 1900, in respect of money lent before or after the Act, and the interest, fines, bonuses, or other charges are excessive, and the transaction is harsh and unconscionable, or is otherwise such that a Court of Equity would give relief, the Court may reopen the transaction, and take an account, and

Money Lenders Act, 1900.

(*u*) Story, 117.

(*w*) *Harrison v. Guest*, De G., M. & G., 424.

(*x*) Story, 155.

(*y*) Story, 157.

(*z*) 63 & 64 Vict., c. 51.

(*a*) Sec. 1.

*Wilton v.
Osborne.*

give relief from payment of any excessive amount, and generally may set aside, revise, or alter the transaction. In interpreting this enactment, however, a very limited construction has at present been put upon it, it having been held that in no case can the Court give relief under it unless the transaction is harsh and unconscionable in the sense that it would have given rise to a claim for relief from a Court of Equity before the passing of the Act (b). If this construction of the Statute is the correct one, it is difficult to see that any substantial difference has been produced by it.

Fraud only renders transaction voidable.

Which of two innocent parties to suffer by fraud of a third party.

*French v.
Hope.*

Although an actual fraud is practised, the transaction is not thereby rendered void, but it is voidable only at the option of the person who has been defrauded (c). And a person on whom a fraud has been practised, may lose the right of avoiding the transaction, if a third person, innocently and for value, acquires an interest in the matter, for the rule is, that where one of two innocent parties must suffer by the fraud of a third person, that one shall be the sufferer who has, however innocently, put it in the power of the third person to perpetrate the fraud (d). Thus, A on the faith of B's representation, which is false, signs a receipt, and C on the faith of this receipt pays certain money, *e.g.*, completes a purchase; here A must suffer, and not C. In a recent case the plaintiff, who was an illiterate man, had executed a mortgage to his solicitor, believing it to be merely a formal document to enable the solicitor to raise money on the property. The solicitor then obtained money on a deposit of the deeds, and appropriated it to his own purposes, and the question was whether the plaintiff, or the

(b) *Wilton v. Osborne* (1901), 2 K. B., 110; 70 L. J., K. B., 507.

(c) *Oakes v. Turquand*, L. R., 2 H. L., 325.

(d) *Hunter v. Walters*, L. R., 7 Ch. Apps., 75.

depositee, had the better right or title. The Court held that the equity of the depositee was superior to that of the plaintiff, for he, though an innocent person, had placed it in the power of the wrong doer to perpetrate the fraud (*e*).

Constructive fraud has already been defined, and the distinction between it and actual fraud explained (*f*); and it may also, upon that distinction, be observed, that the doctrine of relief on the ground of constructive fraud, is founded on an anxious desire of the Court to apply the principle of preventive justice, so as to shut out the inducements to perpetrate a wrong, rather than to rely on mere remedial justice after a wrong has been committed. By disarming the parties of all legal sanction and protection for their acts, the Court suppresses the temptations, and encouragements, which might otherwise be found too strong for their virtue (*g*).

Constructive fraud.

Foundation of relief.

Some of the cases coming under the head of constructive fraud, are principally so treated because they are contrary to some general policy of the law, *e.g.*, marriage brokage contracts, contracts or conditions in restraint of marriage, frauds on marriages, and agreements to influence testators.

Constructive frauds as being against the policy of the law.

A marriage brokage contract is an agreement whereby a person engages to pay another a sum of money to bring about a marriage. It is firmly established that all such contracts are utterly void, as against public policy, so much so as to be deemed incapable of confirmation, and the Court will even

Marriage brokage contracts

(*e*) *French v. Hope*, 56 L. J., Ch., 363; 56 L. T., 57. See also *King v. Smith* (1900), 2 Ch., 425; 69 L. J., Ch., 598; 82 L. T., 815. See also *ante*, pp. 206, 207.

(*f*) See *ante*, p. 228.

(*g*) Story, 166, 167.

allow money paid under them to be recovered back (*h*). Upon the same principle every contract by which a parent or guardian obtains any security for promoting or consenting to the marriage of his child, or ward, is void (*i*).

Conditions in
restraint of
marriage.

*Morley v.
Rennoldson.*

Provisions in the nature either of direct contracts, or of conditions annexed to legacies, or other gifts of personal property, which are in general restraint of marriage, are (except in the case of such a condition attached to a gift to a widow, or a widower (*h*)) bad, as being against public policy. Thus, in one case, a testator who by his will had given the residue of his personal property to his daughter for life, and afterwards to her children, in a codicil expressed a wish that his daughter should not marry, and directed that on her marriage, or death, the property given to her and her children, should go over to another person. It was held that the gift over on marriage was void as to the daughter's life interest, and that she did not lose the property by marrying (*l*). Further, when the daughter, having married, afterwards died leaving children, it was also held that the gift over was void against the children, who were therefore entitled to the property (*m*). And even if a condition is not in general restraint of marriage, but still is of so rigid a nature that the party against whom it is to operate is unreasonably restrained in the choice of marriage, it will fall under the like rule, *e.g.*, where a legacy was given to a daughter upon condition that she should not marry anyone who was not possessed of freehold property of the

(*h*) Story, 168.

(*i*) 1 Wh. & Tu., 573.

(*h*) See 1 Wh. & Tu., 560.

(*l*) *Morley v. Rennoldson*, 2 Hare, 570.

(*m*) *Morley v. Rennoldson* (1895), 1 Ch., 449; 64 L. J., Ch., 485; 72 L. T., 308.

clear yearly value of £500 (n). A condition which is, however, strictly in limited restraint of marriage, is always good, even as regards personalty if there is a gift over, but not without. Further, a condition, even in general restraint of marriage is good, if it is annexed to a gift to a widow, or a widower, provided that as to personalty there is a gift over. As regards realty the position is somewhat different, for there a condition in limited restraint of marriage is always good, even though there is no gift over; and if the condition is in general restraint of marriage, it would appear that this is equally the case, except that a condition subsequent in restraint of marriage is void in the case of a tenancy in tail, because it is repugnant to that estate (o). This difference between realty and personalty is very striking, and is explained by the fact that, as regards personalty, the rules of the Civil Law govern, whilst as to land, the rules of the Common Law prevail. Where, therefore, there are distinct gifts of realty and personalty, and conditions in restraint of marriage are annexed to each, different rules exist. If, however, a testator has blended both realty and personalty together, and has imposed some condition in restraint of marriage, then it has been held that the rule as to personalty prevails (p). Thus where a testator gave to his widow all his property, both real and personal, on condition that she did not marry again, but there was no gift over in the event of her remarriage, it was held that the restraint on marriage was simply *in terrorem*, and therefore bad as to such part of the estate as consisted of personalty, and that as to that part of the estate which was realty, as the testator had blended together his realty and

Limited
restraint.

*Bellairs v.
Bellairs*

(n) See 1 Wh. & Tu., 554.

(o) See notes to *Scott v. Tyler*, 1 Wh. & Tu., 558, 559.

(p) *Bellairs v. Bellairs*, L. R., 18 Eq., 510; 43 L. J., Ch., 669.

personalty in one gift to the same person, the restraint was equally void as to the realty (q).

Frauds on marriages.

Redman v. Redman.

A fraud on a marriage signifies some concealment, or misrepresentation, whereby some person is misled, or by reason whereof certain acts, intended to be of effect, are reduced to mere forms, or become inoperative. Thus, a parent declined to consent to the marriage of his daughter with the intended husband, on account of his being in debt, and his brother, therefore, gave a bond for the debts, and thus the desired consent was procured, and the marriage took place. The husband had, however, by arrangement with his brother, secretly given him a counter-bond, but the Court held it was a fraud upon the marriage, and must be considered as a nullity (r).

Agreements to influence testators.

Any agreement having for its design the using influence, or power, to induce a person to make a will in a certain way is bad, for all such contracts tend to the deceit and injury of third persons, and encourage artifices, and improper attempts, to control the exercise of a testator's free judgment (s). Thus, a bond given by A to B, to pay a certain sum in consideration of B using his persuasive influence over C, to induce C to leave A a legacy, would be void. And contracts made during the lifetime of a testator, by persons who are in expectation of receiving benefits under his will, under which they agree to divide amongst them any such benefits they may receive under it, if they in fact and substance amount to agreements to bring influence to bear

(q) *Pettifer v. Pettifer*, W. N. (1900), 182, following *Bellairs v. Bellairs*, L. R., 18 Eq., 510. See further as to conditions in restraint of marriage, *Scott v. Tyler*, and Notes, 1 Wh. & Tu., 535-576.

(r) *Redman v. Redman*, 1 Vern., 348; Story, 168, 169; 1 Wh. & Tu., 574.

(s) Story, 169.

upon the testator, are bad ; but such contracts are good if they merely amount to agreements to divide all that the parties may get, and to abstain from interfering with the testator, for here no influence is intended to be brought to bear on the testator, and the agreement cannot be truly said to disappoint his intentions if he does not impose any restrictions on his legatees (*t*). Therefore, where three persons, who all expected benefits under a certain person's will, had agreed for a division of all such benefits in certain shares and proportions, it was held that this agreement was good, and that what came to them under the will must be divided according to the agreement (*u*).

Higgins v Hill.

These particular cases given show sufficiently the nature of constructive frauds which are so on account of the policy of the law, and others that may in addition be mentioned, are the following :—Contracts in general restraint of trade ; contracts involving champerty or maintenance (*w*) ; contracts for the buying or selling of public offices.

Other instances.

Where any contract or conveyance is considered by the Court to amount to a constructive fraud by reason of being opposed to some positive law, or to principles of public policy, it is void altogether, and incapable of ratification, for *Quod ab initio non valet, in tractu temporis non convalescit*, in which respect there is a difference from the rule in cases of actual fraud, and other cases of constructive fraud, in which the matter is voidable only, and is capable of confirmation (*x*).

When constructive fraud renders transaction not voidable only, but void.

(*t*) Story, 169.

(*u*) *Higgins v. Hill*, 56 L. T., 426.

(*w*) See *James v. Kerr*, 40 Ch. D., 449 ; 58 L. J., Ch., 355 ; 60 L. T., 212.

(*x*) Story, 196, 197 ; *ante*, p. 234.

Constructive
frauds on
account of
confidential or
fiduciary
relationships.

Other cases coming under the head of constructive fraud, are so treated because of a peculiar confidential, or fiduciary, relationship existing between the parties. In this class of cases there is often to be found the actual design of perpetrating a fraud, and then the matter is properly styled actual fraud; but it is only desired here to consider the effect which may be produced by the bare existence of some such relationship.

Trustees.

It has already, in treating of the position of trustees (*y*), been pointed out that they are not allowed to make any profit out of their trust estate, or generally to purchase of their *cestuis que trustent*. Here the whole principle depends on the doctrine of constructive fraud, for the Court considers that, irrespective of unfair dealing, the position is such that the making of a profit, or purchasing, cannot be allowed, and, on preventive principles, it lays down an almost hard and fast rule, that it is to be considered that a fraud has been committed.

Other
confidential
positions.

The same idea pervades the relationship of solicitor and client, and, indeed, other relationships of a confidential nature, or in which one party naturally occupies a dominant position over the other, *e.g.*, in the case of counsel and clients, agents and their principals, promoters and directors of companies, medical men and their patients, parents and children (*z*), ministers of religion and those confiding in them, and, indeed, every case in which influence is acquired and abused, or confidence is reposed and betrayed (*a*). In all these cases, if the

Huguenin v.
Baseley.

(*y*) *Ante*, pp. 94, 95.

(*z*) But not husband and wife (per Mr. Justice Cozens-Hardy in *Barron v. Willis*, 68 L. J., Ch., 604). Although this case was in fact reversed on Appeal (1900), 2 Ch., 121; 69 L. J., Ch., 532) this *dictum* was not dissented from.

(*a*) See hereon *Huguenin v. Baseley*, 1 Wh. & Tu., 247.

Court finds a person occupying a fiduciary, or quasi-fiduciary capacity, or any position which induces confidence from another, or confers influence over another, and then the Court also finds the person occupying such a position getting some benefit, it will always require that person to remove the cloud of suspicion which, from the circumstances, naturally attaches to the transaction, and to show that he has not obtained what he has got through the position he occupied. Thus, in *Lyon v. Home* (b), the plaintiff was a widow lady of advanced years, living alone, and possessed of considerable wealth, and the defendant was a person who professed to be a "medium" of communications between living persons and the spirits of the departed. The plaintiff, being much attached to the memory of her deceased husband, sought out the defendant with the view of using his mediumistic powers, and he, by means of what he professed to be spiritual manifestations of her deceased husband, produced through him, obtained great ascendancy over her mind, and she adopted him as her son, and made a settlement upon him. Subsequently, however, the plaintiff lost faith in the defendant's spiritual powers, and brought this action to set aside the settlement. The Court held that the onus of supporting the settlement rested entirely on the defendant, and that it was obligatory on him to prove that the plaintiff's acts were the pure, voluntary, well-understood acts of her mind, unaffected by the least speck of imposition or by the influence the defendant had acquired; and, the defendant being unable to prove this, the settlement was set aside.

Allcard v. Skinner is a modern case illustrative of this same principle, though on the particular facts of *Allcard v. Skinner*.

(b) L. R., 6 Eq., 655; 37 L. J., Ch., 674.

that case, the benefit derived by the persons occupying the position of confidence, or influence, was not taken away from them. The plaintiff there was a lady who, in 1871, joined a Protestant sisterhood, and bound herself to their rules of poverty, chastity, and obedience, and made over all her property to the sisterhood. She ultimately, however, grew tired of the sisterhood, and in 1879 she left it. Then, in 1885, she brought this action, claiming to have her property restored to her. The Court of Appeal held that, with regard to any property remaining, and not expended for the purposes of the sisterhood, the plaintiff, having when she made the gift, been under the influence of the defendants, who were the heads of the sisterhood, would, had she, after leaving the sisterhood and becoming a free agent, come promptly to the Court, have been entitled to have had the gift set aside, and such property restored to her; but that, by reason of the time that had elapsed, she was bound by her laches and acquiescence, and the Court refused to interfere (c).

Solicitor and
client.

To take, also, particularly the position of solicitor and client, though the solicitor is not absolutely incapable of contracting with his client, even whilst that relationship is existing, yet on account of that position, any transaction between them is viewed with jealousy by the Court, and the onus of supporting it is on the solicitor. To support it the solicitor must be prepared to show the perfect fairness and propriety of the transaction, or that the client had independent advice; and in both cases that he has taken no advantage of his professional position, but has done as much to protect the client's interest as he would have done in the case of the

(c) *Allcard v. Skinner*, 36 Ch. D., 145; 56 L. J., Ch., 1052; 57 L. T., 61. See also *ante*, pp. 21, 22.

client dealing with a stranger (*d*). And upon this same principle of protection of the client against the power of the solicitor, the Court formerly always refused to allow a security given for future costs to stand, although it would allow it to stand if only for costs already incurred (*e*). However, now, by statute a solicitor may take security from his client, either for past or for future costs (*f*), and he is allowed, subject to certain restrictions, to contract with his client as to his remuneration (*g*). Generally, in all dealings with his client, the solicitor must protect him, so that if he takes a mortgage from his client which contains any unusual provisions—*e.g.*, an immediate power of sale—he must specially point this out to the mortgagor (*h*), unless, indeed, it is evident from the transaction that such immediate power was intended (*i*). And it has been held that the rule which forbids a solicitor to buy his client's property, without full and complete disclosure, applies to the case of a solicitor purchasing from the trustee in the bankruptcy of his client (*k*). If, however, a solicitor, fairly, and honestly, applies to and obtains leave from the Court, to bid at a sale, that relieves him from the liability attaching to his fiduciary character, and places him in the same position as an ordinary purchaser (*l*). It was formerly held that a solicitor who took a mortgage from his client, could not charge his costs in connection with such mortgage, he being the mortgagee (*m*),

Solicitor must protect client.

Cockburn v. Edwards.

Coaks v. Boswell.

As to solicitor mortgagees.

(*d*) Story, 199, 200.

(*e*) 2 Wh. & Tu., 629.

(*f*) 33 & 34 Vict., c. 28, sec. 16.

(*g*) *Ibid.*, sec. 4; 44 & 45 Vict., c. 44, sec. 8.

(*h*) *Cockburn v. Edwards*, 18 Ch. D., 449; 51 L. J., Ch., 46.

(*i*) *Poolley's Trustee v. Whetham*, 35 Ch. D., 111; 55 L. J., Ch., 899; 55 L. T., 833.

(*k*) *Luddy's Trustee v. Peard*, 33 Ch. D., 500; 55 L. J., Ch., 884; 55 L. T., 137.

(*l*) *Coaks v. Boswell*, L. R., 11 App. Cases, 232; 55 L. J., Ch., 761; 55 L. T., 32.

(*m*) *Re Roberts, Ex parte Evans*, 43 Ch. D., 52; 59 L. J., Ch., 25; 62 L. T., 33.

Mortgagees'
Legal Costs
Act, 1895.

unless there was an express contract by the client to pay them (*n*); and also that a solicitor who acted for himself, or for himself and a co-mortgagee, in a redemption suit, was only entitled to out-of-pocket expenses, and not to any profit costs (*o*). These decisions are, however, now overruled by the Mortgagees' Legal Costs Act, 1895 (*p*), which provides that a solicitor mortgagee, as regards mortgages made since 6th July, 1895, may charge his ordinary costs for acting in, negotiating, and completing the mortgage (*q*); and also, whenever the mortgage was made, may charge against the mortgagor, or the security, for all work done as a solicitor subsequent to the mortgage in relation thereto, or to the security, whether such work was done before or after the passing of the Act, and that no mortgage shall be redeemed except upon payment of such costs (*r*).

Solicitor must
never purchase
secretly.

A purchase by a solicitor from his client, made secretly in the name of another, so that the client does not know that it is the solicitor who is purchasing cannot be maintained, even though it is a fair purchase (*s*). "Though there has been the completest faithfulness and fairness, the fullest information, the most disinterested counsel, and the fairest price, and though the client has had the advantage of the best professional assistance, which, if he had been engaged in a transaction with a third party, he could possibly have afforded, if the purchase

(*n*) *Ex parte Lickorish, Re Wallis*, 25 Q. B. D., 176; 59 L. J., Q. B., 500; 62 L. T., 674.

(*o*) *Stone v. Lickorish* (1891), 2 Ch., 363; 60 L. J., Ch., 289; 64 L. T., 79; *Re Doody, Fisher v. Doody* (1893), 1 Ch., 129; 62 L. J., Ch., 14; 67 L. T., 650. However, a solicitor acting for himself in an ordinary action, and succeeding, is entitled to charge the same costs substantially, as if he had appeared for a third person. (*London Scottish Benefit Society v. Chorley*, 13 Q. B. D., 872; 53 L. J., Q. B., 551.)

(*p*) 58 & 59 Vict., c. 25.

(*q*) Sec. 2.

(*r*) Sec. 3.

(*s*) *McPherson v. Watt*, 3 App. Cases, 254; Brett's Equity Cases, 74.

be made covertly in the name of another, without communication of the fact to the vendor, the law condemns and invalidates it utterly. There must be *uberrima fides* between the attorney and the client, and no conflict of duty and interest can be allowed to exist."

A solicitor is absolutely incapable of taking a gift *inter vivos* from a client, whilst the relationship exists, unless the client has competent and independent advice, or unless indeed it is of a trifling character, when the Court will not interfere, for *de minimis non curat lex*. This is an absolute rule, and is not a mere presumption capable of being rebutted by evidence; and it has been held to apply to the case of a gift to the solicitor's wife (t), and also to his son (u), and presumably, therefore, to any other relative, or connection of the solicitor, in whose welfare he is naturally interested. But such a gift may stand if there has been a complete severance of the confidential relation (w), or it can be shown that, after the relationship had ended, the client did something amounting to a release of his right to set aside the gift (x); thus, say that the client, after the termination of the relationship, freely executes a deed of release of his right to set the gift aside. And if a person who has made a gift to a solicitor, whilst the relationship of solicitor and client subsisted between them, is entitled at the time of his death to have the gift set aside, his personal representative succeeds, on his death, to the same right that he had; and this is so, though it can be shown that the deceased had no intention of exercising the right, and had even expressed a determination not to do so, for he might

Gift to solicitor.

Liles v. Terry.

Tyars v. Alsop.

(t) *Liles v. Terry* (1895), 2 Q. B., 679; 65 L. J., Q. B., 34; 73 L. T., 428.

(u) *Barron v. Willis* (1900), 2 Ch., 121; 69 L. J., Ch., 532; 82 L. T., 729.

(w) *Tomson v. Judge*, 3 Drew, 306; *Morgan v. Minnett*, 6 Ch. D., 638.

(x) *Tyars v. Alsop*, 37 W. R., 339; 61 L. T., 8.

Mortgagees' Legal Costs Act, 1895.

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(x) *Tyars v. Alsop*, 37 W. R., 339; 61 L. T., 8.

have changed that determination the very next day, and would have had a perfect right to do so (y). There is, however, nothing to prevent a solicitor taking a benefit from a client under his will (z); and generally, with regard to the rule of Equity in relation to gifts *inter vivos*, by which fraud is presumed when they are obtained from persons standing in certain relations to the donors, such rule has been held not to be applicable to gifts by will (a). Still, of course, the fact of the particular relationship existing, may give rise to suspicion of undue influence used by the party in procuring the will, and may afford material for a probate action in which, on the ground of undue influence, it is sought to set the will aside.

Principal and
agent.

The relation of principal and agent naturally shows the existence of confidence, and the position of such parties is therefore affected by the same considerations. The rule is that agents are not permitted to become secret vendors, or purchasers, of property which they are authorised to buy, or sell, for their principals, or by abusing their confidence to acquire unreasonable gifts or advantages; or indeed to deal with their principals in any case, except when there is the most entire good faith, and a full disclosure of all facts and circumstances, and an absence of all undue influence, advantage, or imposition. Upon these principles, if an agent sells to his principal, his own

(y) *Tyars v. Alsop*, 37 W. R., 339; 61 L. T., 8. See also hereon Poley's Law affecting Solicitors, 218-222.

(z) It may be noticed that a declaration in a will, that a solicitor who is an executor, or trustee, of the will, shall be entitled to make his charges as a solicitor, for work done in connection with the testator's estate, has been held to confer a beneficial gift or interest on him, and therefore he loses the benefit if he is one of the attesting witnesses to the will. (*Re Pooley*, 40 Ch. D., 1; 58 L. J., Ch., 1; 60 L. T., 73.) Although, under the provisions of a will, a solicitor executor may be entitled to charge profit costs, this is not so if the estate is insolvent. (*Re White, Pennell v. Franklin*) (1898), 1 Ch., 297; 67 L. J., Ch., 139.)

(a) *Parfitt v. Lawless*, 11. R., 2 P. & D., 462.

property, as the property of another, without disclosing the fact, the bargain, at the election of the principal, will be held void; and if an agent, employed to purchase for another, purchases for himself, he will be considered as the trustee of his employer (b). The position of a director of a company as regards the shareholders, is that of agent to a principal, and, therefore, the above remarks apply to him (c); and a promoter of a company also occupies an analogous position (d). A promoter may be defined as a person who sets in motion the machinery by which the Companies Acts provide that incorporated companies can be created, and such a person, by the necessity of the case, is in a fiduciary position to the company he forms, since he is the creator of it (e).

Directors and promoters of companies.

Who is a promoter.

Transactions between guardian and ward fall under the general principles now under consideration. Any donation from a ward to a guardian is looked upon with much jealousy, and if obtained during the guardianship, or immediately after the ward has attained majority, it will be set aside; and this is so even though a considerable time has elapsed between attaining the majority and making the gift, if it can be shown that the guardian still retained influence over his former ward (f). And much the same doctrine applies as between parent and child, for donations from the child to the parent are always looked upon jealously, and will usually be set aside if any advantage has been taken of the parental position; and particularly is this so when the child has only just come of age. But if a transaction between parent and child is reasonable,

Guardian and ward.

Parent and child.

(b) Story, 207.

(c) *Imperial Mercantile Cr. Association v. Coleman*, L. R., 6 H. L., 189.

(d) *Erlanger v. New Sombrero Phosphate Company*, L. R., 8 H. L., 1218.

(e) Story, 214.

(f) 1 Wh. & Tu., 272, 273.

and entered into willingly, the Court will not interfere. Thus, in one case (*g*), a son, in plentiful circumstances, gave his father a bond to pay him an annuity during his life, and it was held that, as it appeared to have been the free act of the son, and what he then thought himself bound in honour to do, it ought not to be set aside in Equity, there being no proof of fraud, but merely the circumstance of the relationship (*h*).

Position of
third parties.

De Witte v.
Addison.

Where such a relationship exists between two parties as will induce the Court to hold that a transaction between them is incapable of being supported, on the ground of constructive fraud, any one who derives any interest through, or out of, the transaction will equally be affected by the doctrine, if he has actual or constructive notice of the circumstances. Thus, in one case, a father, being threatened with bankruptcy proceedings, persuaded a daughter, recently of age, to mortgage a reversion she was entitled to, for his benefit. She had no independent adviser, and the mortgage was prepared by the father's solicitor, who also acted for the mortgagee. Subsequently, the daughter sued to set aside the mortgage. The Court held that the transaction was set in motion by the father, and carried out by his influence over his daughter, and that the mortgagee had notice of the circumstances through having acted by the same solicitor, and the mortgage was accordingly set aside (*i*). Of course, if the mortgagee could not have been charged with notice of the circumstances, his position could not have been impugned (*k*). Independent advice may, however, enable a transaction to stand, where but for

(*g*) *Blackborn v. Edgeley*, 1 P., Wms., 600.

(*h*) 1 Wh. & Tu., 270, 271.

(*i*) *De Witte v. Addison*, 80 L. T., 207.

(*k*) *Bainbrigge v. Browne*, 18 Ch. D., 188; 50 L. J., Ch., 522.

it, it would not; but it must be really independent advice. In a recent case it was held that if a solicitor, purporting to act as the independent adviser of a youthful donor about to make an irrevocable voluntary settlement on a donee standing in a fiduciary relationship to the donor, acts also in the same transaction as solicitor to the donee, then he is not such an independent adviser as the Court, under the circumstances, requires for the protection of the donor. It was laid down also that a solicitor who acts for such a donor, does not discharge his duty by merely satisfying himself that the donor understands and wishes to carry out the particular transaction—he must also satisfy himself that the transaction is right and proper under all the circumstances (*l*).

Powell v. Powell.

The position existing between a man and woman engaged to be married is such that in gifts, and other similar transactions between them, some presumption of fraud arises; and on account of the probable influence possessed by the man, the Court will require satisfactory evidence that such influence has not been improperly used (*m*). So also there may be many other cases in which a transaction may amount to a constructive fraud, on account of the dominant position of one of the parties to it (*n*).

Persons engaged to be married.

And even though there is no special and peculiar position existing between the parties, yet it is a general rule that if a voluntary settlement is attacked, and sought to be set aside on the ground of fraud, undue influence, or the like, the burthen of proving that the transaction was fair and honest is on the party taking the benefit thereunder (*o*).

General position of volunteers.

(*l*) *Powell v. Powell* (1900), 1 Ch., 243; 69 L. J., Ch., 164; 82 L. T., 24.

(*m*) *Page v. Horne*, 11 Beav., 227.

(*n*) See *Harvey v. Mount*, 8 Beav., 439.

(*o*) *Hoghton v. Hoghton*, 15 Beav., 299.

Constructive
frauds on
account of
the peculiar
position of the
person seeking
relief.

A third class of cases coming under the denomination of constructive fraud, are those which are so considered because of the peculiar position in which the person stands who is seeking relief, irrespective of any special or peculiar position of the other party, *e.g.*, in the case of dealings with expectant heirs.

Expectant
heirs.

By an expectant heir is here meant one who has either some reversionary estate, or who has, at any rate, an expectancy of some future benefit. Thus, if an estate is limited to A, and then to B, B is during A's life an expectant; and so also if B merely has expectations that his father will leave him a fortune, he is an expectant, but he may here be styled a bare expectant, whilst in the former case he is something more, for he has an estate actually limited to him, though he cannot yet enjoy it. The same principles apply to both, subject only to this, that it is now provided by the Sales of Reversions Act, 1867 (*p*), that no purchase of a reversionary interest made *bonâ fide*, and without fraud, or unfair dealing, shall be set aside only on the ground of undervalue; and the word "purchase" includes any contract, conveyance, or assignment under, or by which, any beneficial interest in any kind of property may be acquired. Therefore, if there is an honest sale or mortgage of a reversionary interest, this is now always good, unless some fraud or unfair dealing can be shewn; and if the transaction is in fact an utterly unconscionable one, here there is in this circumstance, evidence of fraud and unfair dealing, and such a transaction is as liable to be upset now as it was before the statute (*q*). Therefore, practically, sales or mortgages of reversions may be set aside, in some cases,

31 Vict., c. 4.

Effect of this
statute.

(*p*) 31 Vict., c. 4.

(*q*) *Earl of Aylesford v. Morris*, L. R., 8 Ch. Apps., 484; 42 L. J., Ch., 546; *Brett's Eq. Cas.*, 69; *Miller v. Cook*, L. R., 10 Eq., 641; 40 L. J., Ch., 11.

by reason of the inadequacy of the consideration, when that inadequacy is great, not simply because of the undervalue, but because the fact of there being such undervalue, produces a presumption of fraud, or unfair dealing; that is, the Court uses the undervalue as an index to the underlying fraud (*r*). And where the circumstances attending the dealing with a reversion, raise a presumption of fraud, the onus is on the chaser to prove that the transaction was in fact fair, just, and reasonable (*s*); but if this can be proved, then the purchaser is protected by the Sales of Reversions Act, 1867, as the sale cannot be set aside merely because the purchaser has got a bargain.

The principle on which the Court construes dealings with expectant heirs, of an unconscionable nature, to be frauds, is that from their circumstances, weakness on the one side, and extortion on the other, can be presumed (*t*). Therefore, to render a bargain with an expectant good, it is necessary for the person dealing with him to prove either (1) that the transaction was reasonable, and fair, when it will stand; or (2) that it was made known to and approved by the person to whose estate the expectant hoped to succeed, when, although it does not necessarily follow that it will stand, there yet arises a presumption of its fairness (*u*). It is manifestly unlikely that either circumstance can be proved in cases which are brought before the Court.

The principle of relief to expectants.

When dealings with expectants good.

Post-obit bonds form a method of dealing with expectants, which are almost always bad as constructive frauds. A *post-obit* bond may be defined

Post-obit bonds

(*r*) See *Brinchley v. Higgins*, 70 L. J., Ch., 788; 83 L. T., 751.

(*s*) *Fry v. Lane*, 40 Ch. D., 312; 58 L. J., Ch., 113; 60 L. T., 12.

(*t*) *Earl of Chesterfield v. Janssen*, 1 Wh. & Tu., 289.

(*u*) Snell's Eq., 492.

as an agreement made, on the receipt of money by the obligor, to pay a sum exceeding the sum so received, and the ordinary interest thereon, on the death of the person upon whose decease he expects to become entitled to some property (w).

Confirmation
by expectant.

It must be borne in mind that the doctrine of the Court with regard to dealings with expectants, has only the effect of making transactions entered into with them voidable, and that they are capable of confirmation after the peculiar position has ceased to exist; for, if the person is no longer an expectant, he can by his own free and deliberate act, confirm and render perfectly valid, the transaction which he had a right to question (x). This is well shown by the leading case of *Earl of Chesterfield v. Janssen*, just cited. There, one Mr. Spencer, at the age of 30, had borrowed £5,000 of the defendant, on the terms of paying £10,000 if he survived his grandmother, from whom he had large expectations, and who was then of the age of 78 years, and nothing if he did not. He did survive her, and after her death he gave a bond for the payment of the £10,000 and paid a part. Mr. Spencer having since died, his executor sought to be relieved from the liability, and it was held that, though the Court would originally have relieved, it would not do so now, because the expectant had, by his own voluntary act, after he had ceased to be an expectant, ratified the transaction. And, without any express act of confirmation, if the position of expectancy ceases to exist, and the party lays by some time without enforcing his right to have the transaction set aside, the Court will refuse to interfere on the principle, *Vigilantibus non dormientibus aequitas subvenit* (y).

*Earl of
Chesterfield v.
Janssen.*

Laches or
acquiescence.

(w) Story, 227.

(x) *Earl of Chesterfield v. Janssen*, 1 Wh. & Tu., 289.

(y) *Gerrard v. O'Keilly*, 3 Dru. & W., 414; ante, p. 21, 22.

With regard also to the relief that the Court gives to an expectant, the maxim, "He who seeks Equity must do Equity" (z), must be borne in mind, and the rule is that the Court will only set aside the transaction on the terms of repayment of the money actually advanced with fair interest thereon, usually 5 per cent. per annum (a). As regards the costs of the action, they are, as in ordinary cases, in the discretion of the Court, and sometimes, where the only ground was undervalue, the plaintiff has been relieved on payment of costs, in some cases no costs have been given, and in others the costs have been thrown upon the defendant (b).

An expectant seeking relief must do equity.

The principle of the Court with regard to relief to expectants, has been applied to cases where the expectancy is not to any direct property, but is only of a general character, *e.g.*, where a man has no property, or direct prospect of any, but his father, or other relative, is in a good position, and an unconscionable transaction is entered into in the expectation that the father, or other relative, will come forward and help him, rather than see him made a bankrupt (c).

Cases of general expectancy.

The provisions of the Money Lenders Act, 1900 (d), have already been referred to (e), as also the construction put upon it (f). The only sense in which it has any special bearing on the position of an expectant is, that where the borrower occupies that position, there is such a state of things existing

(z) See *ante*, pp. 19, 20.

(a) *Earl of Aylesford v. Morris*, L. R., 8 Ch. Apps., 484; 42 L. J., Ch., 546; Brett's Eq. Cas., 69.

(b) Brett's Eq. Cas., 74.

(c) *Nevill v. Snelling*, 15 Ch. D., 679; 49 L. J., Ch., 777; 43 L. T. 244.

(d) 63 & 64 Vict., c. 51.

(e) *Ante*, pp. 233, 234.

(f) *Wilton v. Osborne* (1901), 2 K. B., 110; 70 L. J., K. B., 507.

as would have formerly enabled the Court to give relief, and certainly, therefore, the provisions of the Act apply.

Common
sailors.

As another instance of this kind of constructive fraud, may be mentioned the case of common sailors, who are considered by the Court as being so extremely improvident a class of men, as to require some guardianship all their lives. Equity therefore treats them much in the same light as expectant heirs, and relief is generally afforded against contracts respecting their prize money or wages, whenever any inequality appears in the bargain, or any undue advantage has been taken (*g*).

Virtual frauds
on individuals.

There are, in addition to the classes of cases we have now considered, as coming under the heading of constructive fraud, some others in which the transaction is held by the Court to be a fraud, because virtually it would operate to work some wrong, or because it is contrary to some statute. It may be well to mention some such cases.

Secret
compositions.

Any secret agreement entered into by a debtor with one of his creditors, to give him some benefit to induce him to accept a composition, or to act in some particular way in his bankruptcy, is considered bad, as virtually operating as a fraud upon the other creditors (*h*). Voluntary settlements or other dispositions which are, on account of their voluntary nature, held bad under the provisions of 13 Eliz., c. 5 (a subject which has already been dealt with (*i*)), come strictly under the head of constructive fraud, as operating as virtual frauds on creditors.

Frauds under
13 Eliz., c. 5.

(*g*) Story, 219.

(*h*) Story, 244.

(*i*) See *ante*, pp. 39-42.

If a person has a special power of appointment, he must, if he executes it at all, execute it *bonâ fide* for the direct end reserved, and in so far as he fails in doing this, he virtually defrauds the objects of the power, and his execution is bad as a fraud (*k*). Thus, if although the appointor appoints to an object of the power, yet it is under some private arrangement that he, the appointor, shall receive part for his own benefit, this is bad; and even though there is not such a direct arrangement at the time of the appointment, but the intention of the appointor is that a certain course shall be taken, with regard to a part of the fund appointed, not authorised by the power, and shortly after appointment such course is taken, this also is a fraud (*l*). So, if a person has a power of appointing a fund amongst his children, and he appoints to an infant child who is not in want of the appointment, and who is seriously ill, so that he, the father, will, in the probable event of the child's death, be entitled as his next-of-kin, this will ordinarily be deemed a fraudulent appointment (*m*). It does not, however, necessarily follow that every appointment by a parent to an infant child, which there was no necessity for at the time, must be deemed a fraud; it all depends on the circumstances of the case. But it may safely be stated that such appointments are viewed with suspicion, and that very little additional evidence of improper motive or object, will induce the Court to treat the appointment as invalid, and set it aside, but without some additional evidence the Court cannot do so (*n*). In all such cases as these, in which the appointment is set

Frauds on powers.

Topham v. Duke of Portland.

Appointment to an infant child.

(*k*) *Aleyn v. Belchier*, 2 Wh. & Tu., 308.

(*l*) *Topham v. Duke of Portland*, 1 De G., J. & S., 517.

(*m*) *Hinchinbrook v. Seymour*, as stated by Jessel, M.R., in *Henty v. Wrey*, 21 Ch. D., 332; 53 L. J., Ch., 667; 47 L. T., 231.

(*n*) *Henty v. Wrey*, 21 Ch. D., 332; 53 L. J., Ch., 667; 47 L. T., 231, in which case the whole subject is thoroughly discussed, and the case of *Hinchinbrook v. Seymour* is specially dealt with. See also notes to *Henty v. Wrey*, in Brett's Eq. Cases, 155.

aside, this is done because, although nominally the appointment is in accordance with the terms of the power, yet the design underlying the matter renders the transaction a virtual fraud on the other objects of the power.

*Re Deane,
Bridger v.
Deane.*

The matter may be illustrated further by referring to a recent case, in which a settlor assigned a policy of insurance on his own life, to trustees, upon trust, after his death, for his three children, A, B, and C, in such shares as he should appoint, and, in default of appointment, to them equally, and he covenanted to keep up the policy. The settlor, some time subsequently, exercised his power of appointment entirely in favour of the child A, who then surrendered the policy to the insurance office for £897, which she handed over to her father, the settlor, who kept the money, except the sum of £150 which he gave A out of it. The settlor having died, this child A, with one of the other children, now sued the administratrix of the settlor, to set aside the appointment to A as a fraud on the power, and for the settlor's estate to make good the amount of the policy. The Court of Appeal held that the appointment was a fraud on the power, and that the settlor's estate must make good the whole amount which would have been payable under the policy on the settlor's death. It was also, however, held that, having been a party to the fraud, A could not share in the sum recovered from the settlor's estate (o).

Effect of an
appointment
being only
partially
fraudulent.

Where there is a fraudulent appointment, or any arrangement of a fraudulent nature with regard to the property comprised in the power, it does not necessarily follow that the whole appointment is bad. Thus, where a husband had a power of appointment

(o) *Re Deane, Bridger v. Deane*, 42 Ch. D., 9; 61 L. T., 492; 37 W. R., 786.

for the purpose of jointuring his wife, and he executed the power subject, however, to an agreement by the wife that she should only receive part as an annuity for her own benefit, and that the residue should be applied in payment of the husband's debts, this was held to be a fraud upon the power, and the appointment was set aside, except so far as related to the annuity (*p*). Where the Court can see its way to sever the honest or legal part of an appointment, from the dishonest or illegal part, then it will give effect to the legal part notwithstanding that it sets aside the other part (*q*). If, however, the fraudulent part of the appointment affects the whole transaction, and the matter is incapable of being severed, then the whole appointment is bad (*r*).

Aleyn v. Belchier -

The Conveyancing Act, 1881 (*s*), expressly permits a person to whom any power is given, whether coupled with an interest or not, to release or contract, not to exercise it; but this does not apply to a fiduciary power, that is, a power coupled with a trust (*t*), and in respect of which there is a duty cast on the donee to exercise it. If, however, the power is not of such a nature, it is not a fraud to release it, even though the donee of the power thereby gets a benefit (*u*). In a recent case, A had a life interest in certain property, with a power of appointment in favour of his only daughter, and her issue, in such shares as he thought fit, and in default of appointment the property was to go, on A's death, to the daughter absolutely. A executed a deed releasing

Releasing a power of appointment.

Re Somes.

(*p*) *Aleyn v. Belchier*, 2 Wh. & Tu., 308.

(*q*) Per Kekewich, J., in *Whelan v. Palmer*, 39 Ch. D., 648; 57 L. J., Ch., 784; 58 L. T., 937.

(*r*) 2 Wh. & Tu., 321, 322.

(*s*) 44 & 45 Vict., c. 41, sec. 52.

(*t*) *Saul v. Pattinson*, 55 L. J., Ch., 831; 34 W. R., 561.

(*u*) *Re Radcliffe, Radcliffe v. Bewes* (1892), 1 Ch., 227; 61 L. J., Ch., 186; 66 L. T., 363; *Smith v. Houlton*, 26 Beav., 482.

the property from the power of appointment, to the intent that it should devolve in due course upon and become vested in his daughter at his death. Then some time afterwards he and the daughter created a mortgage on the property for £10,000, which was manifestly for his purposes, as he received the whole of the mortgage money, and covenanted to indemnify his daughter. It was held that the mortgage was perfectly valid (*w*). Mr. Justice Chitty in his judgment in this case, dealt with the point of whether it was a fraud as follows:—"It appears to me to be a fallacy to say that the doctrine is the same as in the case of an exercise of the power of appointment. There is no duty to exercise such a power, for although it is said, in a sense, that the donee of the power stands in a fiduciary position, yet the meaning of this is that the donee, if he should exercise the power, must exercise it honestly for the benefit of the objects of the power, and not corruptly for his own personal benefit. I see no reason for applying that doctrine where he does not exercise the power, but only releases the power. He may, or may not, be acting in his own interest. But that does not prevent him from saying that he will not exercise the power, and from releasing it."

Excessive
execution of
power.

*Alexander v.
Alexander.*

Where a person having a special power of appointment, openly appoints to persons not objects of the power, although there is nothing strictly fraudulent in this, yet it is equally bad, but this is styled the excessive execution of a power. Thus, under a power to appoint amongst children, the appointor appointed part to children, and part to the grandchildren, and it was held that the part appointed to grandchildren was beyond the power, and bad (*x*).

(*w*) *Re Somes* (1896), 1 Ch., 250; 65 L. J., Ch., 262; 74 L. T., 49.

(*x*) *Alexander v. Alexander*, L. C. Conv., 395.

An illusory appointment would formerly also have been a constructive fraud. An illusory appointment is when a person, having a power to appoint amongst a certain class, appoints to all the members of such class, but only gives a nominal share, or shares, to one or more members. Thus, A, having a power of appointment over £1,000, in favour of his children, and having three children, appoints £500 to one, £499 19s. to another, and 1s. to the remaining one. This last appointment is merely illusory—to use a common expression, literally true in this instance, the last child is “cut off with a shilling.” To have appointed to the exclusion altogether of any child would have been bad, but if some share, however small, was appointed, then it was considered at Law as a valid exercise of the power. Still, this was not so in Equity, for here the Court of Chancery declined to follow the Common Law, and held that such an illusory appointment was not a *bonâ fide* exercise of the special power, but was constructively fraudulent. Here, then, the rules of Law and Equity clashed, but by the Illusory Appointments Act, 1830, the Equity rule was abolished, and an illusory appointment was rendered valid in Equity as well as in Law. Still, even after this statute, it was necessary to appoint some share to each of the objects of the power, though it might be a nominal or illusory share to one or more of them; but now, by the Powers Amendment Act, 1874 (y), even an exclusive appointment is valid, that is to say, any member, or members, of the class may be omitted from the appointment, unless the instrument creating the power contains any declaration to the contrary. Of course, the doctrines of the Court with regard to fraudulent, excessive, illusory, or exclusive exercise of powers, have no application to cases of general powers, for as regards

Illusory appointments.

1 Will. IV.,
c. 46.

37 & 38 Vict.,
c. 37.

(y) 37 & 38 Vict., c. 37.

any power of that character, the donee of the power can deal with it as he chooses.

Agreement not
to bid at an
auction.

It has been sometimes stated, that an agreement whereby parties engage not to bid against each other at a public auction, is bad as a constructive fraud, as it may operate to the injury of the vendor, and cause his property to be sold at an undervalue (z). Although there may be circumstances under which, by reason of some direct fraud, or deceit, practised on the vendor by the parties, such an agreement might be held bad as a fraud, and by reason of which the vendor might claim to set the sale aside, yet it is submitted that there is nothing necessarily illegal, or fraudulent, in such an agreement, and that in the absence of any special circumstances it will stand.

Re Carew.

Thus, in one case, on an auction sale by order of the Court, X and Y agreed not to bid against each other, but that X should bid up to £1,500, and that if he purchased they should divide the estate between them. X bought at the auction at a low price, and the vendors, hearing of this agreement, sued to have the sale to X set aside. The Court refused to set it aside, the judge stating that he knew of no rule that a mere agreement between two persons, each desirous to buy a lot, that they would not bid against each other, was sufficient to invalidate a sale to one of them (a).

30 & 31 Vict.,
c. 48.

By the Sale of Land by Auction Act, 1867 (b), it is provided that no land shall be sold with a reserve, unless it is stated in the conditions that there is a reserve price, and that no puffer shall be

(z) Story, 187.

(a) *Re Carew's Estate*, 26 Beav., 187; see also *Galton v. Emus*, 1 Collyer, 243; *Leopard v. Litoun*, 41 *Solicitors' Journal*, 545.

(b) 30 & 31 Vict., c. 48.

employed by the vendor to bid, unless it is in like manner so stated that the vendor reserves this right. If, therefore, the vendor acts in infringement of this statute, he is committing a virtual fraud on any purchaser; and if a person buys when the property is apparently sold without reserve, and without the employment of any one to bid for the vendor, and he then finds that there was a reserve, or that a person has been so employed, he has a right to have the sale set aside. This Act only applies to land, but a similar provision as to goods is contained in the Sale of Goods Act, 1893 (c).

Where an instrument is void, or voidable, on the ground of fraud, or otherwise, or where, though not void, its object has been satisfied, and it forms a cloud over the plaintiff's rights, the Court will direct the same to be delivered up and cancelled; for it is against conscience for the party holding it to retain it, and especially is this so, if it purports to convey property, as its existence has a tendency to affect the plaintiff's position. Such jurisdiction is said to be exercised in favour of the plaintiff *quia timet*, that is, because he fears that the instrument sought to be delivered up may possibly be used to his detriment; but where the instrument is manifestly a nullity the Court will not interfere, because, in such a case, there is no occasion for it to do so (d). Thus, the Court has refused to interfere, on behalf of a purchaser for value of lands, by ordering delivery up of a prior voluntary settlement, the same being manifestly bad, against the plaintiff, under 27 Eliz., c. 4 (e). It will be borne in mind that now, however, a purchaser taking, since the passing of the

Cancellation and delivery up of instruments.

Jurisdiction exercised *quia timet*.

(c) 56 & 57 Vict., c. 71, sec. 58.

(d) Story, 461-468.

(e) *De Hughton v. Money*, L. R., 2 Ch., 164. See *ante*, p. 39.

Voluntary Conveyances Act, 1893 (f), would have no good title against the prior volunteer.

Wide application of *quia timet* principle.

The principle of the Court giving assistance *quia timet*, is widely applied, and is not by any means confined strictly to such cases as just mentioned, for the Court interferes on this principle in innumerable cases, to accomplish the ends of precautionary justice. A party seeks the aid of the Court because he fears some future probable injury to his rights or interests, and not because an injury has already occurred which requires compensation or other relief. The manner in which this aid is given is dependent upon circumstances, the Court sometimes interfering by the appointment of a receiver, and sometimes by directing security to be given, and sometimes by granting an injunction. As an example of relief given in the nature of *quia timet*, it may be mentioned that a surety has a right to take proceedings in Equity to compel the debtor to pay the debt when due, whether the surety has been actually sued for it or not, for it is unreasonable that a man should always have a cloud hanging over him (g).

Relief given to surety.

(f) 56 & 57 Vict., c. 21. The Act came into operation 29th June, 1893. See *ante*, pp. 39, 43.
(g) Snell's Eq., 502, 617.

In the case of breach of Contract - there are three remedies -

- (1) damages
- (2) Specific performance.
- (3) Injunctions

CHAPTER VII.

OF SPECIFIC PERFORMANCE OF CONTRACTS, AND
SPECIFIC DELIVERY UP OF CHATTELS.

AT Common Law every contract to sell or transfer a thing was, if no actual transfer had been made, treated as a mere personal contract, and if unperformed the only remedy was an action for damages. But the Court of Chancery in many cases deemed such a remedy wholly inadequate for the purposes of justice, and did not hesitate, on the principle that "Equity acts *in personam*," to interpose, and require a strict performance of the contract, where it was possible to perform the same, enforcing obedience to its decree by attachment. This is the doctrine of specific performance of contracts.

Distinction
between Law
and Equity.

The first point manifestly to be looked to is, whether there is a binding contract existing between the parties. The ordinary essentials of every simple contract are: (1) Parties able to contract; (2) Their mutual assent to the contract; (3) A valuable consideration; and (4) Something to be done or omitted which forms the object of the contract (*1*). In some cases also writing is required, by Statute, as the proper evidence of the contract. And although a deed does not require a valuable consideration to enforce it, so that there may be an action at law for damages for the breach of a covenant contained in a voluntary deed, yet with regard to seeking specific performance, the rule is the same whether the contract is a simple contract, or a deed, viz.:

The contract.

Voluntary
contracts
even though
under seal not
enforced.

(1) Indermaur's Principles of Common Law, 33.

that the Court will not carry into effect a mere voluntary agreement, contract, or covenant, to transfer property, or to do any act (*i*). This seems only an extension in Equity of the Common Law rule *Ex nudo pacto non oritur actio*, for what the Court in effect says to any person who claims under a voluntary covenant is, "In so far as you have legal rights, enforce them at law; you might bring an action for damages, as upon a voluntary bond, but in so far as you seek from us a special equitable relief, something greater, and beyond, what you can get at Common Law, we will not give you any assistance." Equity, in fact, though following the law, is not bound to give a purely equitable relief, merely because a party has rights which would be recognized at law.

What will
amount to a
contract.

Most contracts of which specific performance is sought, are in writing, and it will generally be found that writing is essential by reason of the provisions of the 4th section of the Statute of Frauds (*k*), for the chief class of cases in which specific performance is desired is, as we shall presently see, the sale and purchase of land and houses. No formal contract is ever required, provided only that in some way the ordinary essentials appear, for what is required is evidentiary matter of the existence of a contract. Thus, a binding contract may be made out from letters passing between the parties, provided only that there is an offer on the one side, accepted unconditionally on the other, and that the Court can collect, from a fair interpretation of the letters, that they import a concluded contract, and this even although the parties evidently contemplated a more elaborate agreement being prepared. Thus, if A writes to B,

(*i*) *Ellison v. Ellison*, and Notes, 2 Wh. & Tu., 835. See also *ante*, pp. 34, 35.

(*k*) 29 Car. II., c. 3.

offering to sell a house for £1,000, and B writes back simply accepting the offer, this is a binding contract; but it would not be so if B, in accepting the offer, were to insert as a condition that half of the purchase-money should remain on mortgage (*l*). Where a person in definite terms accepts an offer, the mere fact that he says that his solicitor shall prepare and forward an agreement, does not prevent there being already a concluded agreement to satisfy the Statute (*m*). The tendency of modern decisions is, however, to apply greater strictness to the construction to be placed on a series of letters than was formerly done (*n*); and, indeed, no memorandum which does not appear to be intended to amount to a concluded agreement, can constitute a binding contract (*o*). And even though there is an offer, and a direct acceptance, it sometimes happens that no contract is produced thereby, for evidence may be given of extraneous facts showing that the parties did not mean to be bound (*p*).

Assuming that there is a contract binding between the parties, it is important to consider its nature, for if it is of such a kind that damages for its breach will compensate both parties, then the Court will not decree specific performance. Therefore, as a general rule, the Court will not specifically enforce performance of a contract for the sale of stock, or goods, because damages are manifestly a sufficient remedy, inasmuch as, with the damages, the party

The nature of the contract.

(*l*) Fry on Specific Performance, 124.

(*m*) *Rossiter v. Miller*, 3 App. Cases, 1124; 48 L. J., Ch., 10; *Fowle v. Freeman*, 6 Ves., 351. See also Brett's Eq. Cases, 285-292.

(*n*) *Nesham v. Selby*, L. R. 7 Ch., 406; 41 L. J., Ch., 551; *May v. Thomson*, 20 Ch. D., 705; 51 L. J., Ch., 917; 47 L. T., 295.

(*o*) *Winn v. Bull*, 7 Ch. D., 29; 47 L. J., Ch., 139; *Hawkesworth v. Chaffey*, 55 L. J., Ch., 335; 54 L. T., 72.

(*p*) *Hussey v. Horne-Payne*, 4 App. Cases, 311; 48 L. J., Ch., 846. See further Indermaur's Principles of Common Law, 35.

*South African
Territories v.
Wallington.*

may ordinarily purchase the same quantity of the like stock, or goods (*q*). Nor will the Court decree specific performance of a contract to borrow, or lend, money on mortgage, for damages will manifestly meet the case (*r*). But with regard to contracts for the sale and purchase, or letting, of land or houses (though it is only a tenancy from year to year, or even less (*s*)), it is otherwise, for a person is taken to have a particular desire for the very land or house he has agreed to buy, or lease, and it cannot be said that damages will necessarily compensate him (*t*). Therefore, although, as we shall presently see, there are cases in which the Court will decree specific performance of contracts relating to personal chattels, the great class of cases in which the Court grants this special relief, is that of contracts, regarding land or houses.

When the Court will decree specific performance of an oral contract relating to land.

The Court cannot, as a general rule, decree specific performance of a contract for the sale of land or houses, unless it is in writing and signed, as provided by the 4th section of the Statute of Frauds (*u*); but to this rule there are three exceptions, viz. :—(1) Where there has been a part performance of the oral contract; (2) Where the contract was intended to be reduced into writing, but has been prevented from being so, by the fraud

(*q*) *Cuddee v. Rutter*, 2 Wh. & Tu., 416.

(*r*) *Rogers v. Challis*, 27 Beav., 175; *South African Territories v. Wallington* (1898), A. C., 309; 67 L. J., Q. B., 470; 78 L. T., 426, which was an action for specific performance of a contract to lend money on the debentures of a company, and it was held that the only remedy was an action for damages.

(*s*) *Lever v. Koffler* (1901), 1 Ch., 543; 70 L. J., Ch., 395; 84 L. T., 584.

(*t*) *Buxton v. Lister*, 3 Atk., 384.

(*u*) 29 Car. II., c. 3. As to what will be a sufficient signature to satisfy the Statute where lands have been sold by auction, see *Potter v. Duffield*, L. R., 18 Eq., 4; 43 L. J., Ch., 472; *Rossiter v. Miller*, L. R., 3 App. Cas., 1124; 48 L. J., Ch., 10; *Stokell v. Niven*, 61 L. T., 18; *Filby v. Hounsell* (1896), 2 Ch., 737; 65 L. J., Ch., 852; 75 L. T., 270.

of the defendant; and (3) Where, although the contract was oral, the plaintiff has set it out in his statement of claim, and the defendant has admitted it in his statement of defence, and has not pleaded the Statute of Frauds (*w*).

The doctrine that the Court will in some cases grant specific performance of an oral contract relating to land or houses, notwithstanding the Statute of Frauds, is based on the principle that not to do so would be to open the door to fraud; and the Court will not allow a statute to be made the implement of fraud. If A and B contract, though orally, and A suffers B to do certain acts partly performing the contract, surely it would be inequitable to allow A to then turn round and take advantage of the provisions of the Statute (*x*). But it is not every act done by reason of the oral agreement which will be deemed a part performance; for acts to be so they must be such as are exclusively referable to the contract, done with no other view than to perform it, and of such a nature that it would be a fraud in the other party, after allowing them to be done, not to carry out the contract. Thus the letting of the purchaser into possession, if such giving of possession was exclusively referable to the agreement, is a sufficient part performance, particularly if the purchaser then expended money in building, or in repairs, or in improvements, for, under such circumstances, if the oral contract were to be treated as a nullity, he would be a trespasser (*y*). But the mere continuing in possession by a tenant to whom the landlord has orally agreed to sell the premises, is not a sufficient part performance, for it cannot be said that his remaining in possession is exclusively

Part
performance.

What acts
sufficient part
performance.

Taking
possession.

(*w*) *Lester v. Foxcroft*, and Notes, 2 Wh. & Tu., 460.

(*x*) Story, 499.

(*y*) Story, 502.

*Nunn v.
Fabian.*

referable to the agreement, unless there is something in addition, such as the laying out of money in repairs or improvements, upon the faith of the contract (z). With regard, however, to an oral agreement for a new tenancy, to a tenant already in possession, though his continuing in possession is no sufficient part performance, yet if the new tenancy is to be at a higher rent than the old one, and the tenant pays a quarter's rent at the higher rate, that will constitute a sufficient part performance, and specific performance of the contract will be decreed (a).

What acts not
sufficient part
performance.

None of the following acts will, in themselves, be a sufficient part performance to take a case out of the Statute of Frauds: Part payment, or even payment of the whole of the purchase-money; delivery of an abstract; making a valuation of timber on the estate, which is to be paid for at a valuation; preparing the draft conveyance. All such acts are only ancillary to the transaction, and the party can be placed in *statu quo* (b). And marriage is not in itself, unaccompanied by other acts, such as giving possession of the property, a sufficient part performance. The reason for this is that although the parties cannot be placed in *statu quo* (so that, in a sense, it is suffering a fraud to be committed to allow the party to refuse to perform his contract), yet to hold that marriage is a sufficient part performance, would be to act in direct opposition to another clause in the 4th section of the Statute of Frauds, which provides that no action shall be brought upon a contract made in consideration of marriage, unless such contract is in writing and signed

Marriage.

(z) 2 Wh. & Tu., 467.

(a) *Nunn v. Fabian*, L. R., 1 Ch. Apps., 35; 35 L. J., Ch., 140; *Miller & Aldworth, Ltd. v. Sharp* (1899), 1 Ch., 622; 68 L. J., Ch., 322; 80 L. T., 77.

(b) 2 Wh. & Tu., 465.

by the party to be charged therewith (c). But although this is so, yet, where a person marries upon the faith of a representation made to him, or her, for the purpose of influencing his or her conduct with reference to the marriage, then, provided such representation is clear and absolute, the person making the same will be compelled in Equity to make it good. Where, however, the representation is merely of what a person intends to do, or where it is of such a character as not in any way to amount to a contract, but simply to give the party to whom it is made, to understand that he must rely on, or trust to, the honour of the other, the Court cannot enforce the performance of the representation or promise. Indeed, it may be stated that no representation will be enforced which only amounts to a promise to do something *in futuro*, but that it must be a representation of some state of facts alleged to be at the time actually in existence (d). As a simple instance of a representation, not resting merely in promise, but being of existing facts, and which would undoubtedly be enforced, we may take the following:—A father, in order to induce a man to marry his daughter, represents to him that he has actually executed a certain settlement of property upon his daughter and the intended husband; here, this representation would have to be made good, for this is a representation as to an existing fact, and not a mere promise of what shall be done.

As to representations made on marriage.

Representation of existing fact.

On this subject it may be well to refer to two cases in particular, viz., *Loffus v. Mawe* (e), and *Maddison v. Alderson* (f), both of which are capable

Loffus v. Mawe contrasted with *Maddison v. Alderson*.

(c) *Lassence v. Tierney*, 1 Mac. & G., 551; *Surcombe v. Pinniger*, 3 De G., M. & G., 571.

(d) *Maddison v. Alderson*, 8 App. Cas., 473; 52 L. J., Q. B., 737.

(e) 3 Giff., 592.

(f) 8 App. Cas., 473; 52 L. J., Q. B., 737.

of being reconciled, although some of the principles of the decision in the first-mentioned case were hardly approved in the latter. In *Loffius v. Maue*, a testator induced the plaintiff to become his house-keeper, on the strength of a verbal representation that he had left her certain property by his will, and the Court, after his death, compelled this representation to be made good. Now, here it will be noticed, was a representation of an existing state of things, and there was not merely a promise to make a will in the party's favour. In *Maddison v. Alderson*, a testator induced a lady to continue as his house-keeper by a verbal promise to make a will in her favour, which he did not do, and the Court refused to enforce the promise. Here, there was no representation of any existing state of things, but merely a promise.

Whether the doctrine of part performance applies to contract relating to property other than land.

McManus v. Cooke.

It has been laid down that the doctrine of part performance, whereby a contract not enforceable at law owing to the provisions of the Statute of Frauds, is rendered enforceable in Equity, is confined to cases of contracts relating to land, and interests in land (g). But in a modern case this statement of the law was dissented from, and Mr. Justice Kay, after a full consideration of the authorities, submitted that there may be cases other than contracts relating to land in which the Court will apply the doctrine. He stated that the authorities on the subject seemed to him to establish the following propositions:—

1. The doctrine of part performance of a parol agreement which enables proof of it to be given, notwithstanding the Statute of Frauds, though principally applied in the case of contracts for sale

(c) *Britain v. Rossiter*, 11 Q. B. D., 123; 48 L. J., Ex., 362; 40 L. T., 240.

or purchase, or for the acquisition of an interest in land, has not been confined to those cases.

2. Probably it would be more accurate to say it applies to all cases in which a Court of Equity would entertain a suit for specific performance if the alleged contract had been in writing.

3. The most obvious case of part performance is where the defendant is in possession of land of the plaintiff under the parol agreement.

4. The reason for the rule is that where the defendant has stood by and allowed the plaintiff to fulfil his part of the contract, it would be fraudulent to set up the statute.

5. But this applies wherever the defendant has obtained and is in possession of some substantial advantage under a parol agreement, which, if in writing, would be such as the Court would direct to be specifically performed.

6. The doctrine applies to a parol agreement for the acquirement of an easement, though no interest in land is intended to be acquired (*h*).

As regards the second mentioned case in which the Court will decree specific performance of a contract, although not in writing as required by law, viz., where it was prevented from being reduced into writing by the fraud of the other party, the principle of this exception is, that were the Court not to do so, the statute, which was designed to suppress fraud, would be the greatest assistance to fraud. Thus, if an agreement required by law to be reduced into writing, should be arranged between the parties, and entrusted to one of them to be embodied in writing, and this party fraudulently changes it for a different agreement, which is executed, in this, and like cases,

Writing
prevented by
fraud.

(*h*) *McManus v. Cooke*, 35 Ch. D., 681; 56 L. J., Ch., 662; 56 L. T., 900. See Story, 503, 504.

the Court will relieve by enforcing the real arrangement come to, and for which the agreement that was executed was fraudulently substituted (*i*).

Oral contract
admitted in
pleading.

As regards the third mentioned case in which the Court decrees specific performance of a contract, although not in writing as required by law to be, viz., admission in the pleadings, the reasons for this exception are, that the statute is designed to guard against fraud and perjury, and, the contract being now admitted, there can be no danger of anything of that sort, and in substance, though late in the day, now, by means of the pleadings, the contract is at last, substantially, in writing. But, if the defendant pleads the statute, this has no application, for he is entitled to take advantage of it, and if he does not plead the statute, he may indeed be fairly deemed to have waived it, for the rule is, *Quisque renuntiare potest jure pro se introducto* (*k*).

Distinction
between
position of
plaintiff
seeking, and
defendant
resisting,
specific
performance.

In some cases, although there may be a contract in writing, yet there may subsequently have been some oral variation of it, and it is necessary to consider the effect of such an oral variation. Although a person cannot add to a written contract oral stipulations which were agreed to at the time, but which were not reduced into writing (*l*), yet it is always open to a person, against whom specific performance is being sought, to show, as a defence, not only that by fraud, accident, or mistake the thing bought is different from what he intended, but also that the terms of the written contract were afterwards varied by word of mouth; for the Statute of Frauds does not say that the written contract shall bind, but simply that the unwritten contract

(*i*) Story, 508, 509.

(*k*) Story, 498.

(*l*) See Indermaur's Principles of Common Law, 29.

shall not bind. But, as a general rule, though a subsequent oral variation may be taken advantage of as a defence, it is not open to a person to obtain specific performance of a written contract as subsequently varied by oral stipulations between the parties (*m*). This distinction is well shown by the following example :—A sues B for specific performance of a written contract; B sets up in his statement of defence that there was a subsequent oral variation, and then, by way of counter-claim, he asks for specific performance of the written contract with such oral variation. This defence would be good, and would prevail, but the counter-claim would be bad, and would be dismissed (*n*).

*Townshend v.
Stangroom.*

In the same way, however, that we have seen that the Court will in three cases decree specific performance of an oral contract required by law to be in writing, so also in three practically analogous cases, the Court will decree specific performance of a written contract as subsequently varied by oral terms or stipulations, viz.:—(1) After there have been acts of part performance of the subsequent oral variation, of the nature before described as regards the principal contract; (2) Where the defendant in his defence sets up an oral variation of the contract as a reason for its non-performance, and the plaintiff then amends his claim, and seeks specific performance with the oral variation; and (3) Where the oral variation has not been reduced into writing by reason of the fraud of the defendant (*o*).

Three cases in which Court will decree specific performance with oral variation.

Although land or houses are generally the subject matter of those contracts of which the Court decrees specific performance, yet, in certain cases, the Court

Contracts relating to personal chattels.

(*m*) *Woollam v. Hearn*, 2 Wh. & Tu., 513.

(*n*) *Townshend v. Stangroom*, 6 Ves., 328; Story, 509, 510.

(*o*) *Woollam v. Hearn*, and Notes, 2 Wh. & Tu., 513.

will also interfere in like manner, although personal chattels form the subject of the contract, mainly upon the ground that, on account of the peculiar nature of the case, damages would not be a sufficient or satisfactory remedy, and the following cases may be particularly enumerated:—

1. Special value.

1. Where the chattel is of special and peculiar value, such as an article of *vertu*, a picture, or the like. Thus, in one case the Court decreed specific performance of a contract for the sale of two china jars, which were so nearly unique that it was impossible to say what price they would fetch in the market (*p*).

2. Peculiar nature.

2. Where there is some special element connected with the contract which it is practically impossible, or at any rate very difficult, to compensate for by damages, *e.g.*, a contract to sell a debt owing in a person's bankruptcy, for it is quite uncertain what the dividends will be (*q*). So also, where there was a contract for the sale of 800 tons of iron, to be delivered and paid for in a number of years, by instalments, according to the then market price of iron, specific performance was decreed, for the profit upon the contract depended on future events, and could not be estimated except by conjecture (*r*). And, upon much the same principle, the Court will decree specific performance of a contract for the sale of a patent (*s*).

3. Shares.

3. Where the contract is for the sale of shares in a company as distinguished from the public funds. upon the principle that, unlike the public funds.

(*p*) *Falcke v. Gray*, 5 Jur., N. S., 645.

(*q*) *Adderley v. Dixon*, 1 S. & S., 607.

(*r*) *Taylor v. Neville*, 3 Atk., 384; *Buxton v. Lister*, 3 Atk., 385.
(*s*) *Cogent v. Gibson*, 33 Beav., 557.

which can always be obtained by a person who chooses to apply on the market for them, the shares of companies are limited in number, and are not always to be had in the market (*t*). The purchaser of such shares may have had a particular reason for desiring to be a shareholder in the company, and he may be prevented from being so, but the same argument cannot be applied to ordinary stock.

4. Where, beyond a contract, a trust is created between the parties in respect of the chattels, *e.g.*, if A by marriage articles agrees to hand over certain chattels to trustees, in trust for realization and investment by them, and after the marriage he refuses to do so. The Court would here compel the specific performance by A, of what he had contracted to do (*u*).

4. Trust.
Provision of Sale of Goods Act, 1893.

As connected with this subject, it may here be noticed that by the Sale of Goods Act, 1893 (*w*), it is provided that in any action for breach of contract to deliver specific goods, the Court may, if it thinks fit, on the application of the plaintiff, by its judgment or decree, direct that the contract shall be performed specifically, without giving the defendant the option of retaining the goods on payment of damages. Such judgment or decree may be unconditional, or upon such terms and conditions as to damages, payment of the price, and otherwise as to the Court may seem just, and the application by the plaintiff may be made at any time before judgment or decree (*x*). This is, however, a purely discretionary power, whereas in cases in which specific performance is

(*t*) *Duncuft v. Albrecht*, 12 Sim., 189.

(*u*) *Pooley v. Budd*, 14 Beav., 34, 43.

(*w*) 56 & 57 Vict., c. 71, sec. 52. This enactment is in substitution for the former provision contained in the Merc. Law Amendment Act, 1856 (19 & 20 Vict., c. 97, sec. 2), which provision is now repealed.

(*x*) See also *post*, pp. 290-292, as to specific delivery of chattels wrongly detained.

sought on the principles on which the Court of Equity has always acted, the party has practically a right to specific performance, assuming there is no special reason which renders it inequitable to grant it.

The remedy
must be
mutual.

In all cases in which specific performance is sought, the remedy, if it exists at all, must be a mutual one, so that, if looked at in the light of the interest of one of the parties to a contract, it is of such a nature that the Court would grant specific performance, so also will the Court do so at the instance of the other, although the relief sought by him is merely in the nature of compensation in damages or value (*y*). Thus damages will, naturally, compensate a vendor of land where his purchaser does not complete, but damages may not compensate the purchaser if his vendor does not complete. Therefore as the purchaser could get specific performance, the Court, on the principle of mutuality of remedy, gives specific performance also at the instance of the vendor. Of course, in reality, a vendor's action for specific performance assumes the nature of an action for the price of the property.

Infant cannot
get specific
performance.

Upon the same principle, of want of mutuality, the Court will not decree specific performance of a contract in favour of an infant, because it cannot enforce specific performance against him (*z*); for though it is true that infancy is, at law, a personal privilege, and an infant may sue at Common Law, though not capable of being sued, yet, as regards specific performance, that is a remedy beyond the powers of Common Law, and the Court of Equity has practically always said, that such a remedy shall not be given by them, where it would be unfair or inequitable to give it.

(*y*) Story, 480.

(*z*) *Vansittart v. Vansittart*, 4 K. & J., 62.

But where a contract required by the Statute of Frauds to be in writing, is signed by only one party, the person who has signed may be sued for specific performance, although it is evident that he could not himself sue for specific performance, for as regards the other party the requirements of the Statute have not been complied with. This is apparently an exception to the ordinary rule requiring mutuality, but when closely examined it is not really an exception. The Statute of Frauds only requires the agreement to be signed by the party to be charged, and the plaintiff by commencing an action against the defendant who has signed, has practically submitted himself to the Court's jurisdiction, and made the remedy mutual (*a*).

Contract signed by one party only.

There are a variety of defences that may be urged by a defendant in an action brought for specific performance, by reason of which the Court will not interfere. The Court will certainly give no relief where the consideration, or nature, or scope of the contract is illegal or immoral; or where it is against public policy, such as a contract by an officer in the army or navy with reference to his *future* accruing pay; or where alienation is prohibited by statute, as in some cases of pensions even for past services (*b*); or where the contract is one dealing with a mere naked right to litigate, *e.g.*, a right to set aside a conveyance for fraud; or where the contract is one to refer matters to arbitration instead of resorting to the Court, for it is deemed against public policy to exclude any person from the appropriate judicial tribunal (*c*).

Defences to actions for specific performance.

(*a*) Snell's Equity, 545.

(*b*) *Lucas v. Harris*, 18 Q. B. D., 127; 56 L. J., Q. B., 15; 55 L. T., 658.

(*c*) With regard, however, to arbitration, though the Court will not decree specific performance of a contract to refer, a binding submission to arbitration may be made under the Arbitration Act, 1889 (52 & 53 Vict., c. 49). This statute, generally, contains the entire law of arbitration.

Contracts
involving
personal skill,
or to do
personal acts.

Injunction
granted when
a negative
stipulation.

*Whitwood
Chemical Co.
v. Hardman.*

The Court also will not, as we have seen, interfere where the defendant can show that by fraud, accident, or mistake the thing bought is different from what he intended, or that material terms have been omitted in the written agreement, or that there has been a variation of it by parol, or that there has been a parol discharge of the written contract (*d*) ; nor will the Court grant specific performance in cases where it is practically impossible to compel the doing of the thing contracted to be done, and this in particular involves the point of contracts for the doing of personal acts. Thus, it is evident, that in all cases of contracts to do acts involving the personal skill of the party, the Court cannot compel the person to put forth that skill if he will not. If an artist agrees to paint a picture, and will not do so, it may be that damages will not compensate, but how can the Court compel him to put forth his artistic skill? Or if a singer agrees to sing, or an actor to act, how can the Court compel such personal acts (*e*) ? The utmost relief that the Court can give in such cases is, that where the party who has agreed to do the particular personal act, has stipulated that he will not do a like thing for any other person during a certain period, *e.g.*, in the case of a singer agreeing not to sing, or an actor agreeing not to act, during a certain period, at any other place of entertainment, the Court will grant an injunction against the infringement of this negative stipulation (*f*). There must, however, be an express negative stipulation, so that where the defendant agreed to become manager of the plaintiff company's works for a certain period, and during that period to give the whole of his time to the company's business, but there was no express stipulation not in any way to act contrary to this agreement, the Court

(*d*) Story, 510 ; *ante*, p. 272.

(*e*) See *Lumley v. Wagner*, 1 De G., M. & G., 604.

(*f*) *Lumley v. Wagner*, *supra*.

refused to grant an injunction to restrain the defendant from leaving the plaintiff company, and becoming a director of a rival company (*g*). There are many cases in which, there being an express negative stipulation, an injunction in the nature of specific performance is decreed, *e.g.*, in the case of covenants not to remove manure, or crops, at the end of a lease; covenants not to plough meadow land; covenants not to dig gravel, sand, or coal (*h*). And, in one case, where a contract for the sale of chattels to the plaintiff, contained an express stipulation not to sell to any other manufacturer, the Court granted an injunction to restrain the breach of the negative stipulation, and thus, practically, compelled specific performance, although the contract was one of which specific performance would not have been decreed in direct terms (*i*).

Injunctions
the nature
specific
performance.

*Donnell v.
Bennett.*

The Court will not decree specific performance of a contract to repair premises, considering that damages will compensate, and also that there is an element of uncertainty about the matter, rendering it difficult for the Court to see that the actual contract is carried out. Nor for the same reasons will the Court, as a general rule, decree specific performance of a contract to build, or to rebuild premises; but it has recently been laid down that the Court will do so where the work to be done is defined, the plaintiff has a substantial interest in its execution which cannot be compensated for by damages, and the defendant has, by the contract,

Contracts to
build or repair.

*Wolver-
hampton
Corporation v.
Emmons.*

(*g*) *Whitwood Chemical Co. v. Hardman* (1891), 2 Ch., 416; 60 L. J., 4 Ch., 428; 64 L. T., 716. And even though there be a negative stipulation yet if it is only negative in form, and is affirmative in substance, the Court will not grant an injunction. (*Davis v. Forman* (1894), 3 Ch., 654; 43 W. R., 168). See also *post*, p. 442.

(*h*) Story, 481.

(*i*) *Donnell v. Bennett*, 22 Ch. D., 835; 52 L. J., Ch., 414; 48 L. T., 68.

obtained from the plaintiff possession of the land on which the work is to be done (*k*).

Contract for
sale of
goodwill.

The Court will not decree specific performance of a contract to sell the goodwill of a business unconnected with the premises where the business is carried on; but where the goodwill is altogether, or principally, annexed to the premises, a contract for the sale of the goodwill and premises together, will be enforced, the goodwill, which is part of the sale, being nothing more than the probability that the old customers will resort to the same place (*l*). It seems doubtful whether the Court will decree specific performance of a contract for the sale of a medical practice to a duly qualified medical man, even though the premises where the practice is carried on are included (*m*); and the same doubt applies to a contract for the sale of a solicitor's business to another solicitor, though such a contract is in itself perfectly valid (*n*).

Decreeing
specific
performance
notwithstanding
terms of
contract not
strictly
observed.

If the contract is one of such a nature that the Court would ordinarily decree specific performance of it, then, notwithstanding that certain of its terms have not been complied with, yet if such terms do not pertain to the essence of the contract, or if there has been a slight misdescription of the property, the Court will decree specific performance, even in favour of the party chargeable with the non-compliance or misdescription, if compensation can be made for any injury occasioned to the other party (*o*). The most important point to be considered in connection with this rule is, that of the vendor not having the

(*k*) *Wolverhampton Corporation v. Emmons* (1901), 1 Q. B., 515; 70 L. J., K. B., 429.

(*l*) 2 Wh. & Tu., 441; Fry on Specific Performance, 34.

(*m*) *May v. Thompson*, 20 Ch. D., 705; 51 L. J., Ch., 917; 47 L. T., 295.

(*n*) *Whittaker v. Howe*, 3 Beav., 383.

(*o*) Story, 514, 515.

same interest in the estate as he has contracted to sell.

Where there is an agreement to sell property, and the vendor knows at the time that he has not got in every respect what he contracts to sell, then upon the commonest principles relating to fraud, the Court will not decree specific performance at his instance. And where, though the vendor was ignorant of his want of title, the failure to perform the contract is substantial, so that in fact it would appear that if there had been no misdescription the person would not have agreed to purchase, then equally the Court will not decree specific performance against the purchaser. But where the misdescription is unknown to the vendor, and the purchaser can get substantially what he contracted for, then the Court will decree specific performance even at the vendor's instance, giving compensation to the purchaser for the misdescription, in the shape of an abatement of the purchase-money (*p*). Thus, where the vendor, who did not know of any defect in his title, could not make a good title to a small portion of the estate, not material to the enjoyment of the whole, the Court decreed specific performance with compensation (*q*); and where 14 acres of land were sold as water meadow, and only 12 acres answered that description, the Court decreed specific performance with compensation (*r*).

✓
When the Court will decree specific performance with compensation.

Where there is a definite agreement to sell premises, together with something else which forms, as it were, an adjunct to such premises, but which is not an essential part of them, and a performance of the contract as regards the adjunct becomes

Contract for sale of premises with some adjunct.

(*p*) 2 Wh. & Tu., 501.

(*q*) *McQueen v. Farquhar*, 11 Ves., 467.

(*r*) *Scott v. Hanson*, 1 R. & My., 128.

Richardson v. Smith. impossible, yet the Court will decree specific performance of the contract without such adjunct. Thus, where there was an agreement for the sale of an estate for £24,000, and the agreement provided that certain furniture and other articles on the estate (which were worth about £2,000), should be taken by the purchaser at a valuation to be made by valuers to be mutually agreed on, and the vendor refused to appoint a valuer and to complete, the Court decreed specific performance of the contract, except so far as related to the furniture and other articles (s). But if the adjunct is essential to the enjoyment of the property, *e.g.*, in the case of trade fixtures in a public-house, specific performance of the contract to purchase the property without the adjunct, will not be enforced (t).

Contract to sell land of one tenure, which is in fact of another.

Where property is agreed to be sold as of one tenure, and it turns out to be of another, this is not a matter for compensation, and specific performance will not be decreed (u). In the case, however, of long leasehold property, capable under the Conveyancing Acts, 1881 and 1882 (w), of being converted into a fee simple, the fact that it was described as freehold when it was in fact leasehold, would appear to be immaterial, as the vendor can at once make it freehold.

Purchaser's right to specific performance notwithstanding mis-description.

Although a person cannot, as before stated, be compelled to take a portion of the property agreed to be sold to him, where the portion to which a title cannot be made is material to the enjoyment of the whole, yet a purchaser may, in general, if he wishes to do so, elect to take what he can get, with

(s) *Richardson v. Smith*, L. R., 5 Ch. Apps., 648; 39 L. J., Ch., 877.

(t) *Darby v. Whittaker*, 4 Drew, 134.

(u) 2 Wh. & Tu., 502.

(w) 44 & 45 Vict., c. 41, sec. 65; 45 & 46 Vict., c. 39, sec. 11.

compensation ; so that where the defendant agreed to let premises to the plaintiff, and it turned out that he was only entitled to half such premises, it was held that the plaintiff was entitled to specific performance in respect of the half, with an abatement of half the rent (*x*). This, therefore, forms an exception to the ordinary rule, that there must be mutuality of remedy. But this principle does not apply where the purchaser, at the time of entering into the contract, knew of the vendor's limited, or defective, title, for to grant specific performance in this case might be to inflict a hardship on the vendor (*y*).

Burrow v. Scammell.

On the principle, before mentioned, that specific performance may be decreed notwithstanding certain terms have not been strictly complied with, a contract may be decreed to be specifically carried out, although stipulations as to time have not been observed, any proper compensation being made for the non-observance of the stipulations (*z*). At Law the rule was different, for these stipulations as to time were always considered of the essence of the contract. In Equity it was never so, unless it was originally expressly so stipulated, or unless it had, after default, been made so by a reasonable notice by the other party to that effect ; or unless it appeared to be the intention of the parties that it should be so from the nature of the property, *e.g.*, a public-house, or other business, sold as a going concern, for such property is necessarily of a fluctuating character (*a*) ; or an annuity which may determine at any moment ; or a reversion which may, of course, suddenly change

As to time being of the essence of the contract.

(*x*) *Burrow v. Scammell*, 19 Ch. D., 175 ; 51 L. J., Ch., 296 ; 45 L. T., 606.

(*y*) *Castle v. Wilkinson*, L. R., 5 Ch. Apps., 534 ; 39 L. J., Ch., 843 ; *Rudd v. Lascelles* (1900), 1 Ch., 815 ; 69 L. J., Ch., 396.

(*z*) *Seton v. Slade*, 2 Wh. & Tu., 475.

(*a*) *Smith v. Batsford*, 76 L. T., 179.

Mercantile
contracts.

into an estate in possession (b). Now, under the provisions of the Judicature Act, 1873, this former Equity rule is the prevailing rule in all divisions of the Court (c), except that it has been held that in mercantile contracts stipulations as to time are still of the essence of the contract (d). With regard, however, even to mercantile contracts it must be noticed that the Sale of Goods Act, 1893, provides that unless a different intention appears from the terms of the contract, stipulations as to time of payment are not deemed of the essence of the contract, and whether any other stipulation as to time is of the essence of the contract, or not, depends on the terms of the contract (e).

✓
No specific
performance
when it would
be wrong or
inequitable to
decree it.

*Sayers v.
Collyer.*

It may be stated generally that the Court will not interfere to decree specific performance, except in cases in which it would be strictly equitable to do so. If to grant specific performance would be to work a hardship on the other party, the Court will not interfere in this manner, but will leave the party to whatever legal right he may have in an action for damages, or the Court may itself grant damages, as will be presently explained. Thus, in one case, an estate had been sold in building lots, the purchaser of each lot covenanting with the vendors, and with the other purchasers, not to carry on any trade, and one of the owners of a lot infringing his covenant, an injunction and damages were sought, which meant practically specific performance of the covenant. The plaintiff had for some time acquiesced in the defendant's breach of covenant, and although the property

(b) Story, 514-516; 2 Wh. & Tu., 494-500; *Tilley v. Thomas*, L. R., 3 Ch., 61; Brett's Eq. Cas., 316.

(c) 36 & 37 Vict., c. 66, sec. 25 (7).

(d) *Reuter v. Sala*, 4 C. P. D., 249; 48 L. J., Q. B., 492.

(e) 56 & 57 Vict., c. 71, sec. 10.

was originally intended as a residential estate, yet its character had altered, several houses on it being used as shops. It was held on the facts that were proved, that the original design of the covenant—to keep the estate as a residential property—had failed, and that, therefore, it was inequitable to enforce specific performance of the covenant by granting an injunction; and it was further held that, under the circumstances, there was no case for the granting of damages (*f*). In a very recent case in which a vendor sued for specific performance of a contract for sale and purchase of a house, it appeared that the purchaser had, after entering into the contract discovered that the house was being used by the tenant as a brothel, of which fact the vendor was not himself aware at the time of the contract. It was held that this was sufficient ground for refusing specific performance, for the purchaser might find himself exposed to a criminal prosecution (*g*). Yet it will be observed that here there was a good contract, for there was neither fraud nor misrepresentation, and an action could apparently have been maintained for damages. It would be well, indeed, to remember that the remedy given in Equity of enforcing the specific performance of contracts, is not a matter of absolute right in either party, but of discretion in the Court; not indeed, of arbitrary or capricious discretion, dependent upon the mere pleasure of the judge, but of that sound and reasonable discretion which governs itself, as far as may be, by general rules and principles, but at the same time which withholds or grants relief according to the circumstances of each particular case, when these rules and principles will not furnish

*Hope v
Walter.*

Specific
performance :
discretionary
remedy.

(*f*) *Sayers v. Collyer*, 28 Ch. D., 103; 54 L. J., Ch., 1; 51 L. T., 723.

(*g*) *Hope v. Walter* (1900), 1 Ch., 257; 69 L. J., Ch., 166; 82 L. T., 30.

Laches.

any exact measure of justice between the parties (*h*). Thus laches may prevent a person obtaining specific performance, although he may not be statute barred, for in asking for specific performance he is seeking a special equitable relief, and the rule of the Court is, *Vigilantibus non dormientibus æquitas subvenit* (*i*).

Specific
performance
not enforced
after a
voluntary
settlement.

Before the Voluntary Conveyances Act, 1893 (*k*), it was held that where a person had made a voluntary settlement of land, and had afterwards agreed to sell it, the Court would not, at his instance, decree specific performance against the purchaser, notwithstanding that by reason of the provisions of 27 Eliz., c. 4, the sale and purchase would, if he completed, avoid the voluntary settlement, and the purchaser would gain a good title (*l*). But it would grant specific performance at the instance of the purchaser (*m*), who was entitled to take what he could get, and might require the vendor to complete his contract to convey, even though he had no actual estate. It will be borne in mind that now, however, under the Voluntary Conveyances Act, 1893, a subsequent sale does not avoid a prior voluntary settlement of the land, so that a person having made a voluntary settlement, cannot afterwards give a good title to a purchaser by conveying to him (*n*).

Granting
damages.

It is evident, on the principle of specific performance being a discretionary remedy, that in many cases, though a person may fail in obtaining specific performance, yet he may have a good claim for damages. It seems doubtful whether the Court

(*h*) Story, 489-490. See also *Re Hare & O'More's Contract* (1901), 1 Ch., 93; 70 L. J., Ch., 45; 83 L. T., 672.

(*i*) See *ante*, pp. 21, 22.

(*k*) 56 & 57 Vict., c. 21.

(*l*) *Smith v. Garland*, 2 Mer., 123; *ante*, p. 39.

(*m*) *Daking v. Whimper*, 26 Bear., 568.

(*n*) See *ante*, pp. 39, 42.

of Chancery originally had jurisdiction to award damages instead of, or incidental to, the relief it gave by specific performance (*o*). By Lord Cairns' Act (*p*), it was, however, provided generally, that in all cases in which the Court of Chancery then had jurisdiction to entertain an action for specific performance, it should be lawful to award damages, either in addition to, or in substitution for, specific performance. The Judicature Act, 1873 (*q*), also provides that the Supreme Court shall grant all such remedies whatsoever, as any of the parties to an action appear to be entitled to in respect of any legal or equitable claim. It may be noticed that Lord Cairns' Act was repealed by the Statute Law Revision Act, 1883 (*r*); but its effect is kept alive by a general provision of the repealing Act (*s*), so that for all practical purposes it is still an existing statute (*t*). The joint effect of the two statutory provisions on the subject is, that damages may now be given instead of, or in addition to specific performance, and even though specific performance could not, on the principles adopted by the Court, be properly granted. In other words, the plaintiff may now come to the Court and say: "I claim specific performance, but if you think I am not entitled to specific performance of the whole, or any part of the agreement, then I claim damages" (*u*).

To entitle the Court to grant specific performance of a contract relating to land, it is not actually necessary that the land should be situate in this country. It is sufficient that the parties to be

Specific performance of contract relating to land abroad

(*o*) Story, 496.

(*p*) 21 & 22 Vict., c. 27, sec. 2.

(*q*) 36 & 37 Vict., c. 66, sec. 24.

(*r*) 46 & 47 Vict., c. 49.

(*s*) Sec. 5.

(*t*) *Sayers v. Collyer*, 28 Ch. D., 103; 54 L. J., Ch., 1; 51 L. T., 723.

(*u*) *Elmore v. Pirrie*, 57 L. T., 333. See 2 Wh. & Tu., 448-453.

affected, and bound by the judgment, are resident here, for in all suits in Equity, the primary judgment is *in personam*, and not *in rem*, and the incapacity to enforce the judgment *in rem*, constitutes no objection to the right to entertain such a suit (*w*). But the Court can only act *in personam*; so that where the lands are out of the jurisdiction, then, even although they may be in one of our colonies, the Court cannot affect them directly, or in any way other than by proceedings *in personam*, and will refuse to make any order for the delivery up of possession thereof (*x*).

Where specific performance sought, but vendor has no title.

If there is an agreement to buy and to sell land, or other property, and the vendor turns out to have no good title to it, it is manifest that it is impossible for the Court to decree specific performance. And where the vendor is the plaintiff and fails to make out a title, the Court will dismiss his action with costs, and order the return of any deposit and interest, and, if required, the Court will also make the same a lien on whatever interest the plaintiff has in the estate (*y*). As a general rule, the Court will not admit as a defence to an action for specific performance, that the title is a doubtful one, but will itself determine whether the title is good or bad (*z*), unless, indeed, it is some matter of great difficulty, and there are parties not before the Court, whose interests may be affected, or the doubt is not one on some general rule of law, but turns on the construction of some badly worded instrument, as to which the Court itself is doubtful (*a*).

Doubtful title.

(*w*) Story, 490; *Penn v. Lord Baltimore*, 1 Wh. & Tu., 755; *ante*, pp. 20, 21.

(*x*) 1 Wh. & Tu., 777.

(*y*) 2 Wh. & Tu., 510.

(*z*) *Alexander v. Mills*, 6 Ch. D., 124; 40 L. J., Ch., 73.

(*a*) *Clarke & Humphrey's Sale of Land*, 475.

Under the Vendor and Purchaser Act, 1874 (*b*), any dispute arising between vendors and purchasers, and not being a question affecting the existence or validity of the contract, may be determined by a summary application to a judge in chambers in the Chancery Division. The object of the Legislature in making this provision was to diminish specific performance actions, and to afford a cheaper and more speedy method of determining questions between vendor and purchaser. The exception, however, must be carefully noticed, and as to what is a "question affecting the validity or existence of the contract," this means only the existence or validity of the contract in its inception, that is, whether there was or was not, to commence with, a good contract; so that where there was a condition that the vendor should, under certain circumstances, have a right to rescind the contract, it was held that the Court had jurisdiction, on such a summons, to determine whether or not a valid notice to rescind had been given (*c*). It was, at one time, thought that questions of law or construction only, and not disputed questions of fact, could be decided in this way, but it is now settled that whatever could be done in Chambers upon a reference as to title in a specific performance suit, can be done on such a summons (*d*). And the Court has power not only to answer the questions submitted to it, but also to enforce its opinion without any separate action (*e*), and to direct such things to be done as are the natural consequences of the decision; so that where the vendor had not shewn a good title, or answered the requisitions, the Court ordered the vendor to repay to the purchaser the

Summons
under Vendor
and Purchaser
Act, 1874.

*Re Jackson &
Woodburn.*

*Re Hargreaves
& Thompson.*

(*b*) 37 & 38 Vict., c. 78, sec. 9.

(*c*) *Re Jackson & Woodburn*, 37 Ch. D., 44; 57 L. J., Ch., 243; 57 L. T., 753.

(*d*) Greenwood's Real Property Statutes, 206; Brett's Eq. Cas., 201-204.

(*e*) *Thompson v. Ringer*, 44 L. T., 507; 29 W. R., 520.

*Re Davis &
Cavey.*

deposit and interest thereon at 4 per cent., and also his costs thrown away of investigating the title (*f*). But the Court has no jurisdiction, on such a summons, to make an order of this kind where the effect of the decision is to shew that there is in fact no contract, for in such cases the purchaser must be left to his ordinary remedy by action to recover what he is, as a consequence of the decision, entitled to. Therefore, where a person bought leasehold premises, and had no notice of certain restrictive covenants in the lease, it was held on a summons under the Act, that he was entitled to a declaration that the title was not such as he could be compelled to accept; but (without prejudice to his right to bring an action for return of his deposit, and interest thereon, and costs of investigating the title) that he was not entitled to any further relief upon the summons (*g*). The Court has no jurisdiction on such a summons to decide a question which does not concern the purchaser, but deals with other persons' rights, *e.g.*, a question whether the vendor or some third person is entitled to the purchase-money (*h*).

Specific
delivery of
chattels
irrespective of
contract.

Closely allied to the jurisdiction of the Court to decree specific performance of contracts, is the jurisdiction to decree specific delivery up of chattels, irrespective of contract. This the Court will do when the chattel is an heirloom, or something else of peculiar value to the owner, instead of leaving the party to his remedy at law by an action of detinue, or conversion (*i*). The ground of the jurisdiction is the same as that upon which the specific performance of a contract is enforced, *viz.*, that the obtaining of

(*f*) *Re Hargreaves & Thompson*, 32 Ch. D., 454; 56 L. J., Ch., 199; 55 L. T., 239; Brett's Eq. Cas., 281.

(*g*) *Re Davis & Cavey*, 40 Ch. D., 601; 58 L. J., Ch., 143; 60 L. T., 100. See Indermaur's Conveyancing, 333, 334.

(*h*) *Re Tippet & Newbould*, 37 Ch. D., 444; 58 L. T., 754.

(*i*) See Indermaur's Principles of Common Law, 358, 359.

the specific thing is the object of the party, and that damages will not afford adequate compensation (*k*). Thus, in *Pusey v. Pusey* (*l*), specific delivery up of an ancient horn was decreed, on account of its peculiar value to the plaintiff, it having time out of mind gone along with his estate, and having been delivered to his ancestors, in ancient times, to hold their land by. And, in *Duke of Somerset v. Cookson* (*m*), specific delivery of an ancient altar-piece was decreed in favour of the lord of the manor in which it had been found, and who was entitled to it as treasure trove. Many other instances might be given (*n*). Upon this same principle, the Court will entertain jurisdiction to decree the specific delivery up of deeds or writings to the persons entitled to them (*o*).

Pusey v. Pusey.

Duke of Somerset v. Cookson.

And although a chattel wrongfully detained is of no special and peculiar value, yet if there subsists a fiduciary relationship between the parties, the Court will decree specific delivery, *e.g.*, goods wrongfully detained by a trustee, an agent, or a broker (*p*).

Specific delivery on account of fiduciary position.

Had the Court of Chancery not interfered in these cases, the plaintiff's only remedy would have been an action for damages for conversion, or an action of detinue, in which action the form of judgment was for the return of the goods or their value. However, by the Common Law Procedure Act, 1854 (*q*), it was provided that the Court might, on the application of the plaintiff in such an action, order the return of the particular property, without giving the defendant the option of retaining

Actions of detinue, and provisions of Common Law Procedure Act, 1854.

(*k*) 2 Wh. & Tu., 456.

(*l*) *Ibid.*, 454.

(*m*) *Ibid.*, 455.

(*n*) See *Fells v. Read*, 3 Ves., 70; *Lowther v. Lowther*, 13 Ves., 95.

(*o*) *Jackson v. Butler*, 2 Atk., 306.

(*p*) *Wood v. Rowcliffe*, 2 Ph., 283.

(*q*) 17 & 18 Vict., c. 125, sec. 78.

it on paying its value. And although this enactment was repealed by the Statute Law Revision Act, 1883 (*r*), the provision is substantially continued by Order XLVIII., rule 1. This is, however, merely a discretionary power, and, under it, the Court can only proceed to enforce the delivery by a sequestration of the defendant's property (*s*), whilst a judgment or order in Equity for specific delivery could always be enforced by attachment (*t*).

(*r*) 46 & 47 Vict., c. 49.

(*s*) See Indermaur's Manual of Practice, 203, 204.

(*t*) 2 Wh. & Tu., 459; see also *ante*, p. 275, for provision of the Sale of Goods Act, 1893, as to specific delivery of chattels contracted to be sold.

CHAPTER VIII.

THE JURISDICTION OF THE COURT IN RESPECT OF
THE PERSONS AND ESTATES OF INFANTS.

THE origin of the jurisdiction of the Court of Chancery over the persons and property of infants, is very obscure, and has been a matter of much discussion. It would appear, most probably, that it had its foundation in the prerogative of the Crown flowing from its general power, and duty, as *parens patriæ*, to protect those who have no other lawful protector; and partaking, as it does, more of the nature of a judicial administration of rights and duties in *foro conscientiæ*, than of a strict executive authority, it would naturally follow that it should be exercised by the Court of Chancery as a branch of the general jurisdiction originally confided to it. The Court's powers are then a delegation of the rights and duties of the Crown (*u*).

Origin of
jurisdiction.

A father is the natural guardian of his children, and has the right to their custody, a right not, in general, to be disputed, and which may be enforced at law by means of a writ of *habeas corpus* (*w*). The reason the parent is by law entrusted with the care of his children is, because, by the law of nature, he is the responsible person, and it is generally supposed that he will best execute the trust reposed in him, for that, in a moral sense, it is a trust cannot be doubted (*x*). It has, however, in modern times been found that harm and injustice may be done by

Father natural
guardian.

(*u*) Story, 910-918.

(*w*) 1 Wh. & Tu., 525.

(*x*) Story, 920.

Custody of
Children Act,
1891.

adhering too strictly to the law of nature, and the common law, and, therefore, to meet some particular evils, the Custody of Children Act, 1891 (*y*), now provides that the Court shall have full discretion to refuse the application of a parent for the custody of his child detained from him, if satisfied that the parent has abandoned, or deserted the child, or has otherwise so conducted himself that the Court ought to refuse to assist him to enforce his right to its custody (*z*). The same Act also provides that the Court shall not order the delivery of a child to a parent who has abandoned, or deserted it, or who has allowed another person to bring it up under circumstances which satisfy the Court that he was unmindful of his parental duties, unless, having regard to the child's welfare, the Court is satisfied he is fit to have its custody (*a*). A very wholesome discretionary power is, therefore, thus given to the Court.

Power of father
to appoint a
guardian.

Not only has the father the right to the custody of his children, but under the authority of the Act abolishing feudal tenures (*b*), power is given to him to appoint a guardian to his legitimate children until marriage or attainment of full age, either by deed or by will; and it may be noticed that such a deed appointing a guardian, is substantially a testamentary instrument, and may be revoked, even by a will (*c*). By the Wills Act, 1837 (*d*), all general power of making a will by an infant is taken away, and an infant, therefore, can now only appoint a guardian to his children by deed (*e*). Until lately, a mother's rights over her

Guardianship
of Infants Act,
1886.

(*y*) 54 Vict., c. 9.

(*z*) Sec. 1.

(*a*) Sec. 3.

(*b*) 12 Car. II., c. 24.

(*c*) 1 Wh. & Tu., 512.

(*d*) 1 Vict., c. 26, sec. 7.

(*e*) 1 Wh. & Tu., 512.

children have not been properly recognised, but the Guardianship of Infants Act, 1886 (*f*), however, now confers important powers on the mother. It enacts (*g*) that on the death of an infant's father, and in case the father died before 25th June, 1886 (*h*), then from that date, the mother, if surviving, is to be the guardian of the infant, either alone, when no guardian has been appointed by the father, or jointly with any guardian appointed by the father; and subject also to this, that where there is no guardian appointed by the father, the Court may, if it thinks fit, appoint a guardian to act jointly with the mother. This power the Court will only exercise if it is really shown to be for the benefit of the infant, and the mere fact that the mother has married again, and that her second husband is of a different religion to that of the infant's father is not sufficient (*i*). This statute also provides (*k*) that the mother of any infant may, by deed or will, appoint any person or persons to be guardian or guardians of such infant after the death of herself and the father, if such infant is then unmarried, and, if guardians are appointed by both parents, they are to act jointly. In addition, the mother is empowered by deed or will to provisionally nominate some fit person or persons to act as guardian or guardians with the father after her death, and the Court then, if satisfied that for any reason the father is unfitted to be the sole guardian, may confirm such appointment.

Mother may appoint a guardian.

The father and mother, therefore, are now recognised as almost equally natural guardians of their children, with a right on death to transfer that power

Father's and mother's position now almost equal.

(*f*) 49 & 50 Vict., c. 27.

(*g*) Sec. 2.

(*h*) The date of the commencement of the Act.

(*i*) *Re X*, *X* v. *Y*. (1899), 1 Ch., 526; 68 L. J., Ch., 265; 80 L. T., 311.

(*k*) Sec. 3.

Power of
Divorce Court.

over to another. It may, however, be noticed with regard to divorce proceedings, that the Guardianship of Infants Act, 1886 (*l*), provides that the Court, pronouncing any divorce or judicial separation, may by its decree declare the parent, by reason of whose misconduct the decree is made, to be a person unfit to have the custody of the children of the marriage, in which case that parent is not, on the death of the other, to be entitled, as of right, to the custody or guardianship of such children. Thus, in a suit by the wife for divorce on the ground of adultery, coupled with cruelty, which was of an aggravated character, the Court, after pronouncing a decree nisi, made an order under this provision declaring the respondent to be an unfit person to have the custody of the children (*m*).

Appointment
of guardian by
a stranger.

The direct power of appointing a guardian, though existing in the parents, does not exist in any one else, but yet in an incidental way, and to a certain extent, a stranger may practically appoint or select a guardian; for if substantial benefits are given to an infant by a stranger who professes to appoint, or who desires to appoint, a certain guardian, generally, if the infant has no parent living, the Court will give effect to this desire, and itself appoint the person selected by the stranger, if he appears to be a fit person. And a father may even act in such a manner as to render an appointment by a stranger effectual; for where a benefit is conferred either upon children, or upon their father on condition that the father gives up the guardianship of them, then, if he accepts the benefit himself, or commits the care of the children to the guardian nominated by the stranger, he will not afterwards be allowed to

(*l*) 49 & 50 Vict., c. 27, sec. 7.

(*m*) *Skinner v. Skinner*, 13 P. D., 90; 57 L. J., P., 104. As to the effect of such an order, see *Webley v. Webley*, 64 L. T., 839.

prejudice their interests by interfering to take them again into his custody (*n*). But the Court will not deprive a father of the custody of his children merely because to do so would be to their pecuniary advantage, *e.g.*, where a person makes an offer to maintain and advance them if given into his custody (*o*).

When there is existing no guardian for an infant, then the jurisdiction of the Court is at once exercisable, and the Court, on being applied to, will appoint a guardian, and this even though the child was born, and is resident abroad, if he is a child of English subjects (*p*). But, in any case, though the Court possesses jurisdiction, it will not ordinarily interfere unless the infant has some property within the jurisdiction of the Court, because of the want of means to exercise its jurisdiction with effect (*q*). Where, therefore, it is desired to make an infant, who has no property, a ward of Court, it is the common practice to make some small settlement upon the infant, of money or other property (*r*), or to pay a sum of money (£50 or upwards) into Court to the credit of the infant. But the power of the Court does not stop here, for whoever may be the guardian, and by whatever authority the guardian may be acting, the Court will interfere and remove the infant from such custody, and appoint a new guardian should occasion require. And the Guardianship of Infants Act, 1886 (*s*), also contains an express provision that the Court, if satisfied that it is for the infant's benefit,

Appointment
of guardian by
the Court.

Removal of
guardian.

(*n*) *Blake v. Blake*, Amb., 306; 1 Wh. & Tu., 497.

(*o*) *Re Fynn*, 2 De G. & Sm., 457; 1 Wh. & Tu., 498.

(*p*) *Hope v. Hope*, 4 D. M. & G., 328; *Re Willoughby*, 30 Ch. D., 324; 54 L. J., Ch., 1122; 53 L. T., 926; 33 W. R., 850.

(*q*) *Wellesley v. Duke of Beaufort*, 2 Russ., 21; 2 Bligh, N.S., 124.

(*r*) *Re Lyons*, 22 L. T., N. S., 770.

(*s*) 49 & 50 Vict., c. 27, sec. 6.

may remove any testamentary guardian, or guardian appointed, or acting, by virtue of that Act, and may also appoint another guardian in place of the one removed. In all cases the guardianship is treated as a delegated trust for the benefit of the infant, and if it is abused, or in danger of abuse, the Court interferes. When the conduct of the guardian does not require so strong a measure as removal, the Court will interfere, and regulate, and direct his conduct, and may require security to be given by the guardian if there is any danger of injury to the infant's person or property (*t*).

Removal from
custody of
father.

But for the Court to interfere with the custody of the natural guardian—the parent—a very strong case must be made out, such as that the parent is living in open immorality, or is guilty of constant drunkenness, or continually ill-treats the children, or generally that the parent's conduct is such that it will probably be injurious to the morals and interests of the children (*u*). Thus, in *Wellesley v. Duke of Beaufort* (*w*), where it was shewn that the father was profligate, his language often profane, and that he was living in open adultery with another man's wife, the custody of the children was taken from him. But where, although a father was living in adultery, he did not bring the child in contact with the woman with whom he was living, the Court refused to interfere (*x*).

Wellesley v.
Duke of
Beaufort.

Re Agar-Ellis,
Agar-Ellis v.
Lascelles.

The general subject of a father's position with regard to his children was much considered in the case of *Re Agar-Ellis*, *Agar-Ellis v. Lascelles* (*y*). and it was laid down by the Court of Appeal, that the father has the legal right to control and direct

(*t*) Story, 919.

(*u*) *Ibid.*, 920.

(*w*) 2 Rus., 1; 2 Bligh, N. S., 124.

(*x*) *Ball v. Ball*, 2 Sim., 35.

(*y*) 24 Ch. D., 317; 53 L. J., Ch., 10; 50 L. T., 161.

the education and bringing up of his children until they attain twenty-one, even though they are wards of Court, and that the Court will not interfere with him in the exercise of his paternal authority, except—(1) When, by his gross moral turpitude, he forfeits his right; or, (2) When he has by his conduct abdicated his right; or, (3) When he seeks to remove his children, being wards of Court, out of the jurisdiction, without the consent of the Court. And it is presumed that now, since the Guardianship of Infants Act, 1886, the same rules would substantially apply to a mother after the father's death.

It should be observed that the whole jurisdiction of the Court was founded on principles of preventive justice, and that unless misconduct was shown, the Court would not deprive the father of the children's custody; so that although for young and delicate children, and particularly female children, nature seems to point to the mother as being the fittest person to have their custody, yet, in the absence of misconduct, the father would have the right, so that on a separation he might insist on taking all the children away from the mother. It was even held that a clause in a separation deed giving the custody to the mother, was contrary to public policy, and would not be enforced unless the circumstances were such that, had the Court been applied to, it would have removed the children from the father's custody (a). This state of the law was, however, considerably modified by the Infants' Custody Act, 1873 (a), and the Guardianship of Infants Act, 1886, also contains an important provision on the subject (b).

When no misconduct on the part of the father, he formerly had absolute right to children.

Provision in deed of separation.

(a) *Vansittart v. Vansittart*, 2 De G. & J., 249; *Swift v. Swift*, 34 Beav., 266.

(a) 36 Vict., c. 12. This statute replaced the earlier one, 2 & 3 Vict., c. 54, known as Talfourd's Act.

(b) 49 & 50 Vict., c. 27, sec. 5.

Infants' Custody Act, 1873, as to agreement relating to custody of children.

Re Besant.

To deal firstly with the Infants' Custody Act, 1873, this Statute alters the original rule of the Court, by enacting that no agreement contained in a separation deed, made between the father and mother of an infant, shall be held to be invalid by reason only of its providing that the custody or control of the infant shall be given to the mother; provided only that no Court shall enforce any such agreement, if of opinion that it will not be for the benefit of the infant to do so (c). The question of enforcing, or not enforcing such an agreement is entirely in the discretion of the Court, such discretion being arrived at from a consideration of what will be for the real benefit of the children. Thus, in one case, in which an infant female child, about eight years old, had been made a ward of Court, it was shewn that, on separation of the parents, the father had agreed that she should remain in her mother's custody during eleven months in each year. The mother held and promulgated atheistical opinions, and refused to allow the child to receive any religious education, and she had also published, and circulated, what the Court was of opinion was an obscene book. It was held that to bring up the child in the religion of the father was a duty the Court owed to its ward, and was here unaffected by the covenant in the separation deed; and also that the refusal of religious instruction to the child, and the publication of the book, were in themselves sufficient grounds for removing her from the mother's custody (d). But if there are special circumstances showing it to be for the benefit of the infant, the Court has power, under the Infants' Custody Act, 1873, to give effect even to a provision in a separation deed with regard to the child's religious control and education (e).

(c) 36 Vict., c. 12, sec. 2.

(d) *Re Besant*, 12 Ch. D., 605; 48 L. J., Ch., 497.

(e) *Condon v. Voltum*, 57 L. T., 154.

With regard, however, to what is stated at the conclusion of the last paragraph, as to the Court possibly giving effect to a contract by the father with regard to the religion in which his child should be brought up, it should be carefully noticed that it has reference only to a provision in a separation deed, and the question of whether or not it is for the infant's benefit. In other cases the general rule is that the religion of its father is to be followed, unless the child is of some reasonable age of discretion, and not of very tender years, and has already received education in another religion, to such a depth, and extent, as to render it dangerous and improper to attempt any change (*f*). And it has been held that even an *ante-nuptial* contract, made by a father, to have the children brought up in a particular religion, cannot be enforced, since a father cannot abdicate his right to have his children brought up in accordance with his own religious views (*g*). It has been decided that the Guardianship of Infants Act, 1886 (*h*), in conferring certain powers on a mother, after the father's death, as already detailed (*i*), does not affect the right of the father to determine the religion in which his children shall be brought up, even after his death (*k*).

As to religion in which child to be educated.

Re Agar-Ellis, Agar-Ellis v. Lascelles.

Although, as has been stated, the father has the primary right to the custody of his children subject to the power of the Court to deprive him of such custody if he is conducting himself in such a way as may be prejudicial to them, it is now possible that,

Guardianship of Infants Act, 1886, as to making orders as to custody of infants.

(*f*) *Re Newton* (1896), 1 Ch., 740; *Stourton v. Stourton*, 8 De G., M. & G., 760; and see *Re Agar-Ellis, Agar-Ellis v. Lascelles*, at p. 74, of 10 Ch. D.

(*g*) *Re Agar-Ellis, Agar-Ellis v. Lascelles*, 10 Ch. D., 49; 48 L. J., Ch., 1; Brett's Eq. Cas., 90.

(*h*) 49 & 50 Vict., c. 27.

(*i*) *Ante*, p. 295.

(*k*) *Re Scanlan*, 57 L. J., Ch., 718; 59 L. T., 599.

irrespective of this, the Court in its discretion may deprive him of their custody though he is not guilty of any misconduct. This is by reason of the Guardianship of Infants Act, 1886 (*l*), which provides that the Court may, on the application of the mother, make such order as it thinks fit regarding the custody of an infant, and the right of access of either parent, having regard to the infant's welfare, the conduct of the parents, and the wishes of the father and mother; and may alter, vary, or discharge such order on application of either parent, or (after the death of either parent) of any guardian under that Act, and may make such order as to the mother's costs, and the father's liability therefor, or otherwise as to costs, as it thinks just. It has been held that the Court has jurisdiction to order the delivery of an infant to the custody of its mother, without fixing any limit of age (*m*). This provision overrides a former enactment which was contained in the Infants' Custody Act, 1873 (*n*), and which is now repealed (*o*). The acceding to, or refusing, any application by the mother is a matter for the Court's discretion, which is to be exercised on a consideration of three matters, viz.: the paternal right, the marital duty, and the interest of the child (*p*). If the mother has herself been guilty of any material misconduct, this will certainly disentitle her to ask the Court to exercise the discretion vested in it by this Act (*q*).

General
jurisdiction of
Court now on
father's
application for
custody.

By reason of the Guardianship of Infants Act, 1886, the Custody of Children Act, 1891, and the general jurisdiction of the Court of Chancery,

(*l*) 49 & 50 Vict., c. 27, sec. 5.

(*m*) *Re Witten*, 57 L. T., 336.

(*n*) 36 Vict., c. 12, sec. 1, and see before this 2 & 3 Vict., c. 54.

(*o*) 56 & 57 Vict., c. 95 (Statute Law Revision Act, 1893).

(*p*) *Re Elderton*, 25 Ch. D., 220; 53 L. J., Ch., 258; 59 L. T., 26.

(*q*) *Re Besant*, 12 Ch. D., 605; 48 L. J., Ch., 497.

already dealt with, and of the fusion effected by the Judicature Act, 1873 (*r*), on any attempted enforcement by the father in the King's Bench Division, by *habeas corpus*, of his right to the custody of the person of his child, the Court will look at all the surrounding circumstances, before they will accede to the application of the father (*s*).

Besides appointing a guardian, the Court will also, Maintenance. where necessary, order an allowance to be paid out of the property of the infant for maintenance. To get maintenance allowed for an infant, it is by no means always necessary to seek the assistance of the Court. For, firstly, in the settlement, or will, under which the infant derives his or her property, there may be a direct trust for the income, or a portion thereof, to be applied for maintenance. Secondly, under the Conveyancing Act, 1881 (*t*), trustees have full discretionary power of applying, for the benefit of any infant, the income of any property he or she will be either absolutely, or contingently, entitled to on attaining twenty-one (*u*); and it has been held that where a testator bequeaths the residue of his personal estate absolutely to an infant, the executor is to be considered a trustee under this provision, and able to apply the income for the infant's maintenance (*w*). Thirdly, failing the obtaining of

(*r*) See 36 & 37 Vict., c. 66, sec. 25 (10).

(*s*) See *Re Ethel Brown*, 13 Q. B. D., 614. It may also be noticed that by the Summary Jurisdiction (Married Women) Act, 1895 (58 & 59 Vict., c. 39, sec. 5), it is provided that on a magistrate making an order under that Act (which is to have the effect of a judicial separation between husband and wife), he may also give to the wife the custody of the children of the marriage up to the age of 16 years. With regard to the power of the Divorce Court, as to the custody of children, see 20 & 21 Vict., c. 85, sec. 35; 22 & 23 Vict., c. 65, sec. 4.

(*t*) 44 & 45 Vict., c. 41, sec. 43.

(*u*) See as to the construction of this provision, *Re Dickson, Hill v. Grant*, 29 Ch. D., 331; 54 L. J., Ch., 510; 52 L. T., 707; *Cadman v. Cadman*, 33 Ch. D., 397; 55 L. J., Ch., 833; 55 L. T., 569. See also *Indermaur's Conveyancing*, 463.

(*w*) *Re Smith, Henderson-Roe v. Hitchens*, 42 Ch. D., 302; 58 L. J., Ch., 860; 61 L. T., 363.

maintenance in either of these ways, the only course is to apply to the Court, which application may be made by an originating summons in Chambers, if there is no suit pending, or if any suit is pending, then by an interlocutory summons taken out therein (x).

When maintenance allowed by the Court.

When the infant has no father living, or when he or she is removed from the father's custody, the Court will always direct an allowance to be paid to the guardian, out of the infant's property, for maintenance, for how otherwise can the infant be properly maintained? If, however, the father is living, and the infant is residing with him, then the Court only allows maintenance if the father has not the means to properly maintain the infant (y). When the question turns upon the ability of the father to maintain the child, the rule is, not that maintenance is allowable only upon the father's absolute insolvency, or state of poverty being shown, but that it is allowed where he is not in such circumstances as to be able to give the child such a maintenance and education as is suitable to the fortune which he or she expects. Thus, in one case, although the father had an income of £6,000 a year, an allowance was ordered to be made to him of £1,400 a year towards the maintenance of his six children, who were entitled to an estate of £8,600 a year (z).

Principle as to amount to be allowed for maintenance.

When the Court allows maintenance, it does not always act strictly on the view of the direct maintenance and education of the infant being the only object to be attained, but it has a liberal regard to the circumstances and state of the family to which the infant belongs. For example, if one child

(x) See Indermaur's Manual of Practice, 277, 312.

(y) Story, 929, 930.

(z) *Jervois v. Silk*, G. Coop. Rep., 52.

only has property, and the other children have no provision made for them, an ample allowance will be ordered for the infant entitled to the property, so that practically the others may be maintained thereout; and similar considerations are applied to a father or mother of the infant if he, or she, is in distress or narrow circumstances (a). This certainly, in an indirect way, benefits the particular infant, for it could hardly be for his real benefit to be fed, clothed, and educated in a totally different style from his or her brothers and sisters, or to be indulged in luxuries whilst the parents, with whom he or she was residing, were living scantily. And, where it will be for the benefit of the infant, maintenance will sometimes be allowed, although there be an express direction to accumulate; and though there is a limited gift of interest for maintenance, with an express direction to accumulate the rest, the Court will in some cases allow such further sum as may be deemed adequate to maintain the infant properly (b). Beyond this, where the property is small, and more means are necessary for the due maintenance of the infant, the Court will sometimes even allow the capital to be broken in upon; but without the express sanction of the Court, a trustee should never break in upon capital, unless there is a power of advancement in the trust instrument. But where a trustee has on his own responsibility made an advancement, the Court will not call him to account for having done so, if the circumstances were such that, had the Court been applied to, it would have sanctioned it, *e.g.*, to pay for the infant being apprenticed, or articulated (c).

Ordering
maintenance
though
accumulation
directed.

(a) Story, 930.

(b) *Stretch v. Watkins*, 1 Madd., 254.

(c) Story, 931; *Re Welch*, 23 L. J., Ch., 344; and see also now the Judicial Trustee Act, 1896 (59 & 60 Vict., c. 35, sec. 3).

Allowance
for past
maintenance.

No account
required from
guardian.

Not only may an allowance be made for the future maintenance of an infant, but also in respect of his past maintenance; but there is this distinction between future and past maintenance, that whilst the allowance for future maintenance is, as has been stated, in accordance with the fortune of the infant and other circumstances, the amount allowed for past maintenance is only what has been actually properly expended (*d*). When an allowance is made for the future maintenance of an infant, and the guardian to whom it has been paid, has properly maintained, educated, and supported the infant thereout, he cannot be called upon to vouch the items of his expenditure, or to account for any surplus which may remain (*e*).

Who is a ward
of Chancery.

General rule as
to treatment
of wards.

Eyre v.
Countess of
Shaftesbury.

Although, strictly speaking, a ward of Chancery is a person who is under a guardian appointed by the Court, yet, where a suit is instituted in the Chancery Division relative to the person or property of an infant, although the infant is not under the control of any guardian appointed by the Court, he or she is treated as a ward of Court, and as being under its special cognizance and protection. In all such cases no act can be done affecting the infant's person or property, without the Court's sanction, for every act done without such sanction is treated as a violation of the Court's authority, and the person guilty of it is said to have committed a contempt of Court, and is liable to attachment (*f*). Thus, in the leading case of *Eyre v. Countess of Shaftesbury* (*g*), the mother of a ward of Court, who contrived and effected his marriage without obtaining the consent of the Court, was held liable for a contempt of Court, although the marriage

(*d*) *Parsons v. Parsons*, 13 W. R., 214.

(*e*) *Hora v. Hora*, 33 Beav., 89.

(*f*) Story, 927, 928.

(*g*) 1 Wh. & Tu., 473.

was in other respects proper. And it is a contempt of Court to take an infant ward out of the jurisdiction without leave of the Court, but such leave will be given in exceptional cases, when it is shown to be for the benefit of the ward, and generally reasonable under the circumstances, *e.g.*, temporarily to visit near relatives who reside abroad, or for the benefit of the infant's health, or even to reside abroad permanently if sufficient security is given that future orders will be obeyed (*h*). As it is manifestly impossible for the Court itself to watch the actions of all its wards, it is the duty of the guardian to inform the Court from time to time of what is taking place, as of any misconduct on the part of the ward, or of difficulties in which he or she has become involved (*i*); and the infant and guardian, or either of them, may be ordered to attend personally before the Judge in chambers on any matter, and any such order may be enforced by means of the serjeant-at-arms, if the parties are within the jurisdiction.

Duty of guardian to inform Court.

As has been pointed out, for a ward of Chancery to marry without the Court's sanction, is a contempt of Court, and it should be added, that all persons concerned therein are guilty of contempt, and this even though ignorant of the fact of the wardship (*k*). Application for leave for a ward to marry must, therefore, be made, supported by evidence of the fitness of the match, and the question of what is a proper settlement to be made will be considered, and the settlement will be prepared by one of the official conveyancing counsel, and approved by the Court. And, where proposals for a settlement

Marriage of a ward.

Settlement of ward's property.

(*h*) *Re Callaghan, Elliott v. Lambert*, 28 Ch. D., 186; 54 L. J., Ch., 292; 52 L. T., 7.

(*i*) *Kay v. Johnson*, 21 Beav., 538.

(*k*) Story, 942.

on the marriage of a ward have been entertained, the parties will not be allowed to defeat the intentions of the Court by deferring the marriage until the ward comes of age, and then making a different settlement (1). When a marriage takes place in contempt of the Court, and the husband is attached for such contempt, the ordinary rule is not to liberate him until he makes a proper settlement, and, if he knew the lady to be a ward of Court, ordinarily the settlement will be of such a nature as to exclude him from all interest in the property; but if he was ignorant of the wardship, then he is generally treated more leniently, but the nature and details of the settlement are matters entirely in the Court's discretion (m).

Injunction to prevent marriage of ward.

With the view of preventing evil, if it is brought to the Court's knowledge that there is reason to suspect the marriage of a ward without its consent, the Court will interfere by injunction to prevent the marriage; and it will even go so far as to interdict communications between the ward and the admirer, and if the guardian is suspected of any connivance it will remove the infant from his custody (n).

The Court cannot in direct terms compel a settlement.

Beyond, however, acting in this way—that is by refusing to allow a ward to marry without its consent, and by acting against the husband and other persons under the process of contempt, and by preventing a man who has married a ward, without the Court's consent, from profiting thereby—the Court of Chancery has never had, and the High Court has not now, any jurisdiction either in its exercise of the rights of the Crown as *parens patriæ*, or on the

(1) *Hobson v. Ferraby*, 2 Coll., 412; *Money v. Money*, 3 Drew, 256.

(m) 1 Wh. & Tu., 505.

(n) Story, 934.

ground of contempt, to compel the settlement of a ward's property (*o*).

As to capacity to make a settlement, it must be remembered that, under the Infants' Settlement Act, 1855 (*p*), as regards infants generally, whether wards of Court or not, a valid marriage settlement may be made with the sanction of the Court, in the case of a male at the age of twenty years, and in the case of a female at the age of seventeen years. However, as regards a power of appointment or a disentailing assurance executed by an infant tenant-in-tail, it is provided that any such appointment, or disentailing assurance shall only be effectual if he or she afterwards attains full age (*q*). Subject, however, to this exception, a settlement thus made by an infant, and all covenants therein by the infant, are absolutely binding (*r*). Under this provision, a post-nuptial settlement may even be made with the Court's sanction (*s*). But the Infants' Settlement Act, 1855, has only removed the disability of infancy, and leaves unaffected other disabilities, *e.g.*, coverture (*t*), so that under its provisions, an infant married woman cannot do more than an adult married woman can do, and is unable therefore to deal with reversionary interests in personal property not held by her to her separate use, and not within the provisions of Malins' Act (*u*), which only enacts that a married woman entitled to a reversionary

Provisions of
Infants'
Settlement
Act, 1855.

Limited effect
of the Act.

(*o*) *Buckmaster v. Buckmaster*, 35 Ch. D., 21; 56 L. J., Ch., 379; 56 L. T., 795; 1 Wh. & Tu., 507.

(*p*) 18 & 19 Vict., c. 43.

(*q*) *Re Scott, Scott v. Hanbury* (1891), 1 Ch., 298; 60 L. J., Ch., 461; 63 L. T., 800.

(*r*) *Re Johnson, Moore v. Johnson* (1891), 3 Ch., 48; 68 L. J., Ch., 499; 64 L. T., 696.

(*s*) *Re Sampson & Wall*, 25 Ch. D., 412; 53 L. J., Ch., 457; 50 L. T., 435.

(*t*) *Seaton v. Seaton*, 13 App. Cas., 61; 57 L. J., Ch., 661; 58 L. T., 565; affirming decision below, *sub. nom. Buckmaster v. Buckmaster*, 35 Ch. D., 21; 56 L. J., Ch., 379.

(*u*) 20 & 21 Vict., c. 57. See *post*, p. 426.

interest in personal property under an instrument executed since 31st December, 1857, shall be enabled to dispose thereof by a deed duly acknowledged, together with her husband.

Settlements by infants without the Court's sanction.

Edwards v. Carter.

But though a settlement by an infant is only completely binding if made under the provisions of the Infants' Settlement Act, 1855, yet any settlement by an infant is not absolutely void, but is merely capable of being avoided by the infant within a reasonable time of coming of age, and if the infant does not within such reasonable time repudiate it, he or she will be bound by it (*w*). And if a settlement is thus made by an infant without the Court's sanction, and the infant derives a benefit under it from the other party to it, a case of election may arise, and the infant be prevented from repudiating the settlement and also taking any benefit thereunder (*x*).

Appointment of guardian to foreign child.

A child of foreigners, who are, however, resident in England, may, if possessed of property in England, be made a ward of Court, and this even although the child is under the control of a guardian appointed by the foreign Court. This is only, however, for the purpose of supplementing the office and duties of the foreign guardian, and no interference with his control over the person of the ward will be allowed, unless some case of abuse of the power is shown (*y*).

Jurisdiction as to idiots and lunatics not in the Court.

The position of idiots and lunatics resembles that of infants to this extent, that protection is required both in respect of their persons and property, but

(*w*) *Edwards v. Carter* (1893), A. C., 360; 69 L. T., 153; *Re Jones, Farrington v. Forrester* (1893), 2 Ch., 461; 62 L. J., Ch., 996; 69 L. T., 45.

(*x*) See *post*, pp. 326, 327.

(*y*) *Nugent v. Vetsera*, L. R., 2 Eq., 704; 35 L. J., Ch., 777.

this jurisdiction is not vested in the Court. The custody of the persons and estates of lunatics and idiots was originally vested in the lord of the fee, but by certain ancient Statutes (z) this power was vested in the Crown, with the distinction, however, that in the case of a lunatic the sovereign was a mere trustee, but in the case of an idiot he had a beneficial interest (a). The jurisdiction being in the sovereign, it appears by him to have been specially delegated to the Chancellor in his individual capacity as an officer of high standing in close connection with the Crown, and not to the Court of Chancery (b). And at the present day this jurisdiction is vested in the Lord Chancellor, and such other Judges of the High Court, or Court of Appeal, as are entrusted with it by the Sovereign's Sign Manual (c), who in actual practice are the Lords Justices of His Majesty's Court of Appeal.

But, notwithstanding that the jurisdiction as to persons *non compos mentis* is not in the Court, yet where a person has not actually been found a lunatic by inquisition, the Court has an original jurisdiction where the property is small, to give directions as to his maintenance, though not to appoint a guardian of his person (d).

When, however, the Court may act to a certain extent.

(z) 7 Ed. II., c. 9; 17 Ed. II., c. 10.

(a) *Re Fitzgerald*, 2 Sch. & Lefr., 436. Practically, this distinction is of no importance now, as the inquiry as to a person's state of mind is never carried back to the date of his birth, which would be necessary to have him declared an idiot. See *Elmer's Lunacy Practice*, p. 3.

(b) *Story*, 936-939.

(c) See 36 & 37 Vict., c. 66, sec. 17; 38 & 39 Vict., c. 77, sec. 17.

(d) *Vane v. Vane*, 2 Ch. D., 124; 45 L. J., Ch., 381; *Re Bligh*, 12 Ch. D., 361; 49 L. J., Ch., 56.

CHAPTER IX.

PARTITION, ETC.

Different ways
of effecting a
partition.

JOINT owners, be they joint tenants, tenants-in-common, or co-parceners, are not usually desirous of continuing to thus hold conjointly, but prefer to have a division or partition of the estate. This partition may be effected by mutual arrangement between themselves, without any assistance from the Court, or sometimes it is effected through the agency of the Board of Agriculture, under the provisions of the General Enclosure Act, 1845 (*e*); but, ordinarily, if the parties cannot agree between themselves, or it is impossible to do so by reason of disability of some of the parties, or otherwise, the course is to apply to the Chancery Division of the Court for a partition.

Partition at
Law compared
with the
remedy in
Equity.

There was always existing a mode of effecting partition at Common Law by means of a writ of partition, a remedy by no means satisfactory on account of its insufficiency, and the Court of Chancery, at a very early date, therefore, assumed jurisdiction, because of the judicial incompetency of the Courts of Common Law to furnish a plain, complete, and adequate remedy for such cases (*f*). As an instance of the insufficiency of the remedy at law may be mentioned the fact that the powers of the Courts of Law were confined to a mere partition or allotment of the lands, having regard to the parties' interests and the true value, but the Court of Chancery could, with a view to the more convenient and perfect

(*e*) 8 & 9 Vict., c. 118, secs. 147-150; see Indermaur's Conveyancing, 32.

(*f*) Mitford's Eq., Pl. by Jeremy, 120.

partition or allotment of the premises, decree a pecuniary compensation to one of the parties for equality of partition, so as to prevent any injustice or unavoidable inequality (*g*). Many other points might be mentioned, but this in itself seems sufficient justification for the Court of Chancery having assumed jurisdiction. The remedy, therefore, in Equity, was concurrent, but it naturally became the one usually adopted, and as the writ of partition was abolished in the year 1833 (*h*), the jurisdiction then became exclusive, and the Judicature Act, 1873 (*i*), has now assigned such matters to the exclusive jurisdiction of the Chancery Division.

The mode of effecting partition in Chancery was by first ascertaining the rights of the several persons interested, and then issuing a commission to make the partition required, and, upon the return of the commissioners, and confirmation of the return by the Court, the partition was finally completed by mutual conveyances of the allotments made to the several parties (*k*). In modern practice, however, a commission is not issued, but any enquiries that may be necessary as to the rights of the parties, the nature and value of the estate, and the like, are made in the Judge's Chambers; and if no enquiries are necessary, the partition can at once be made at the hearing (*l*).

The mode of effecting partition.

At the present day, partition may be made of freehold, copyhold, and leasehold property. At Common Law, only co-parceners could claim partition, but, by the Statutes of Partition (*m*), joint tenants, and

Of what property partition can be made.

(*g*) Story, 432.

(*h*) 3 & 4 Will. IV., c. 27, sec. 6.

(*i*) 36 & 37 Vict., c. 66, sec. 34.

(*k*) Mitford's Equity, Pl. 120.

(*l*) 1 Wh. & Tu., 202.

(*m*) 31 Hen. VIII., c. 1; 32 Hen. VIII., c. 32, sec. 1.

Who may
claim
partition.

tenants-in-common, have an equal right. But a person can only compel partition when entitled in possession, so that a joint tenant, or tenant-in-common, entitled in reversion or remainder, cannot maintain such an action (*n*). A person, though only mortgagee of some joint owner, may maintain an action for foreclosure and partition (*o*); but the owner of an equity of redemption of an undivided share in property, is not entitled to bring a partition action until he has redeemed the incumbrances upon his own share (*p*). A person can only maintain an action for partition where he manifestly is entitled to an undivided share in the property in question, and no litigation is necessary to determine whether he is interested in the estate. Thus, where the question of whether the party is interested or not turns on the construction of a will, he cannot bring a partition action for the purpose of trying his disputed title (*q*).

As to directing
a sale.

It is manifest that in a great number of partition actions a sale of the property would be more convenient and beneficial for the parties than an actual partition. Formerly, the power of the Court in this direction was very limited; for, though the Court might, where it was desired, direct a sale, and would do so even if there were persons not *sui juris* concerned, if the other parties desired it, yet, if one person *sui juris* objected to sell, the Court was powerless to decree a sale, however injurious the not doing so would be to the interests of the other parties. But this is not so now, very considerable alterations having been effected by the Partition Act, 1868 (*r*).

(*n*) *Evans v. Bagshaw*, L. R., 5 Ch. Apps., 340.

(*o*) *Fall v. Elkins*, 9 W. R., 861.

(*p*) *Sinclair v. James* (1894), 3 Ch., 354; 63 L. J., Ch., 873; 71 L. T., 483.

(*q*) *Slade v. Barlow*, L. R., 7 Eq., 296; 36 L. J., Ch., 369.

(*r*) 31 & 32 Vict., c. 40.

This Act contains three distinct provisions, to the following effect : Partition Act,
1868.

1. If it appears to the Court that by reason of the nature of the property, or the number of the parties interested, or the absence, or disability, of any such parties, or of any other circumstance, a sale of the property, and a distribution of the proceeds, would be more beneficial for the parties interested than a division of the property between them, the Court *may*, on the request of any party interested, and notwithstanding the dissent or disability of any other party, direct a sale (s).

2. If any party or parties, interested individually or collectively to the extent of a moiety or upwards, requests a sale and a distribution of the proceeds, instead of a division of the property, the Court *shall*, unless it sees good reason to the contrary, direct a sale of the property accordingly (t).

3. If any party interested requests the Court to direct a sale and a distribution of the proceeds, instead of a division of the property, the Court may direct a sale unless the other parties interested in the property, or some of them, undertake to purchase the party's share ; and, in case of such undertaking being given, the Court may order a valuation of the particular share in such manner as it thinks fit (u).

It is necessary to distinguish between these three provisions. The first provision is a discretionary power vested in the Court, which it may exercise where, for any of the reasons specified in the section, it appears to be more beneficial to do so—that is, more beneficial in a pecuniary sense. The second provision is an imperative one, unless the Court sees

*Distinctions
between the
three provi-
sions of the
Partition Act,
1868.*

(s) 31 & 32 Vict., c. 40, sec. 3.

(t) Sec. 4.

(u) Sec. 5

some reason against it, for persons interested to the extent of a moiety are, under it, entitled to a sale, as of right, without showing any reason for it, unless some cause to the contrary is shown (*w*). The third provision is quite distinct, comprising cases in which the Court does not see that it is necessarily beneficial, and in which the request is not made by persons interested to the extent of a moiety; it is, in fact, a power given to any party to apply, with or without any reason, for a sale, and such party is entitled to ask for it unless somebody is going to buy his share, and then if, he applying for it, one of the parties does offer to buy his share, he may withdraw his request, for there is nothing to compel him to sell his share at a valuation (*x*).

Difficulties
under the
Partition Act,
1868, and
consequent
provisions of
the Partition
Act, 1876.

It was doubtful whether, under the Partition Act, 1868, a decree could be made for the sale of an estate unless the plaintiff's Bill of Complaint contained a prayer for a partition, as well as for a sale (*y*). To settle the law on this point, it is provided by the Partition Act, 1876 (*z*), that an action for partition shall include an action for the sale and distribution of the proceeds, and that, in an action for partition, it shall be sufficient to claim a sale and distribution of the proceeds, and that it shall not be necessary also to claim a partition. A difficulty also arose under the first provision in the Act of 1868, in that it was held that an order could not be made in a direct way at the request of an infant; and also, under the third provision, that a married woman could not enter into an undertaking to purchase unless her husband joined therein. These points have, however, been met by the

(*w*) *Pemberton v. Barnes*, L. R., 6 Ch., 685; Brett's Eq. Cas., 121.

(*x*) *Drinkwater v. Ratcliffe*, L. R., 20 Eq., 528; 44 L. J., Ch., 605; *Williams v. Games*, L. R., 10 Ch. Apps., 204; 44 L. J., Ch., 245.

(*y*) *Holland v. Holland*, L. R., 13 Eq., 406; 41 L. J., Ch., 220.

(*z*) 39 & 40 Vict., c. 17, sec. 7.

Partition Act, 1876 (a), which provides that a request for a sale may be made, or undertaking given, on the part of any person under disability, by the next friend, guardian, committee in lunacy authorised by order in lunacy, or other person authorised to act on behalf of the person under such disability; but that the Court shall not be bound to comply with any such request, or undertaking, on the part of an infant, unless it appears that the sale or purchase will be for his benefit.

Considerable difficulty also arose under the Act of 1868, where persons were out of the jurisdiction, it having been held that no sale could be ordered unless every person interested in the property the subject of the partition suit, was either a party to the cause, or had been served with notice of the decree. In order to remedy these defects the Partition Act, 1876 (b), provides that if it appears that notice of the judgment cannot be served on all persons, or cannot be so served without disproportionate expense, the Court, on request, may dispense with such service, and, instead, direct advertisements to be issued calling on persons to come in and establish their claims within a certain time; and that, after the expiration of such time, such persons, whether within or without the jurisdiction, and including persons under disability, shall be bound by the proceedings, and that the Court may thereupon, if it thinks fit, direct a sale of the property. Where, in accordance with this provision, a sale is made, the Act provides that the proceeds of the sale are to be paid into Court, and that the Court shall fix a time when such proceeds will be distributed, and shall direct notice thereof to be given by advertisement or otherwise, and then, if the interests of all parties have been

Difficulties
where parties
out of
jurisdiction.

Provision
hereon of
Partition Act,
1876.

(a) 39 & 40 Vict., c. 17, sec. 6.

(b) Sec. 3.

ascertained, the Court shall distribute the proceeds. If such interests have not all been ascertained, and cannot be, or at least without disproportionate expense, it is provided that the Court shall distribute the proceeds in such manner as appears most in accordance with the rights of the parties whose claims have been established, and with such reservations as may seem fit in favour of other persons who may appear to the Court to have *prima facie* rights, but to the exclusion of all other persons; but, notwithstanding the distribution, any excluded person may recover from any participating person, what has been received by him of the share of such excluded person.

Sale may be directed to take place out of Court.

Where, in a partition action, a sale is ordered, such sale usually takes place under the Court's directions in the ordinary manner; but it is now provided that the Court, or a judge, shall have power to authorise the same to be carried out by proceedings out of Court, any moneys produced thereby being paid into Court, or to trustees, or otherwise dealt with as may be ordered. It is, however, also provided that the judge shall not authorise the proceedings altogether out of Court, unless and until he is satisfied by such evidence as he shall deem sufficient, that all persons interested in the property are before the Court, or are bound by the order for sale, and any order authorising a sale out of Court must be prefaced by a declaration that the judge is so satisfied, and a statement of the evidence upon which such declaration is made (c).

Costs of partition suits.

The costs of a partition suit are in the discretion of the Court, but the general rule is that the entire costs are to be borne by the parties in proportion to their interests, as declared by the judgment in

(c) Order LXI., rule 1a.

the action, except where there are any special circumstances, arising from the conduct of any of the parties, which may lead the Court to apportion the costs otherwise (d).

Not altogether unconnected with the subject of partition, is that of settlement of boundaries, a matter which, not being of sufficient importance to be considered by itself in a work like the present, may conveniently be shortly referred to here.

Settlement of boundaries.

Ordinarily, if there is a dispute between two proprietors as to their boundaries, the law affords a remedy by an action of trespass, or of ejectment. But, in very ancient times, the Court of Chancery assumed a jurisdiction in certain cases to actually enquire into the boundaries, by issuing a commission upon the subject. It has been supposed that the origin of the jurisdiction of the Court of Chancery in such matters was the consent of the parties, and again, that its origin was the prevention of multiplicity of suits. But, whatever may have been the origin of the jurisdiction, it is certainly at the present day of a very limited character; for the general rule now is, that the Court will not entertain jurisdiction merely upon the ground that the boundaries are in controversy, but will require that there should be some equity superinduced by the act of the parties, such as some particular circumstances of fraud, or some confusion through one person ploughing too near another, or some gross negligence, omission, or misconduct, on the part of a person whose special duty it was to preserve or perpetuate the boundaries (e). If a lessee has not kept lands of his own distinct from those demised to him, the Court will give relief

The origin of the jurisdiction.

Limited extent of the jurisdiction now.

(d) 1 Wh. & Tu., 216, 217. See further as to Partition, *Agar v. Fairfax*, and Notes in 1 Wh. & Tu., 181.

(e) Story, 402-408; *Wake v. Conyers*, 1 Wh. & Tu., 170.

in this way, either during the continuance of the term, or after it has expired (*f*).

Settling
boundaries
when many
persons
interested.

And, in addition to what has been stated, the Court will entertain an action to settle boundaries where it will prevent a multiplicity of suits (*g*), *e.g.*, where the right affects a number of persons, such as a common right in lands.

Modern
practice in
action to settle
boundaries.

Where the Court entertains a suit to settle boundaries, the modern practice, instead of issuing a commission, as formerly, is to refer the matter to chambers, to ascertain the boundaries, and, when this is done, to subsequently dispose of the matter by a hearing on further consideration (*h*).

(*f*) *Spike v. Harding*, 7 Ch. D., 871; 47 L. J., Ch., 323; *Attorney-General v. Fullerton*, 2 V. & B., 264.

(*g*) *Wake v. Conyers*, 1 Wh. & Tu., 170.

(*h*) *Spike v. Harding*, 7 Ch. D., 871; 47 L. J., Ch., 323.

PART III.

OF SOME PARTICULAR DOCTRINES AND MATTERS,
WHICH, HAVING HAD THEIR ORIGIN IN EQUITY,
ARE STILL MOST USUALLY PROPER SUBJECTS
FOR CONSIDERATION IN THE CHANCERY DIVI-
SION OF THE HIGH COURT OF JUSTICE.

CHAPTER I.

ELECTION.

The doctrine of election may be defined as the obligation imposed upon a party to choose between two inconsistent, or alternative, rights or claims, in cases where there is a clear intention of the person from whom he derives one, that he should not enjoy both. Every case of election, therefore, presupposes a plurality of gifts or rights, with an intention, express or implied, of the party who has a right to control one or both, that one should be a substitute for the other. The party who is to take has a choice, but he cannot enjoy both benefits (i). The reason or ground for the doctrine is that substantial justice may be done, which was impossible at Common Law, for there, if A bequeathed to B £1,000 and gave to C a house belonging to B, B could not be made to give up his house, and yet he would take the £1,000, unless, indeed, the two gifts were so necessarily connected as to make the giving up of the house a condition to the taking of the £1,000 (k). The

Definition,
and reason of
doctrine.

(i) Story, 732.

(k) Note to *Gretton v. Howard*, 1 Swanst., 425.

Settling
bound^d
when
persc
int

necessity for such a doctrine as election in Equity, must, therefore, be evident, for, in the case just put, it is clear the testator did not mean B to have £1,000, and still retain his house, and it is, therefore, correct to say that the foundation of the doctrine is the intention of the author of the instrument.

Noys v.
Mordaunt.

The leading case of *Noys v. Mordaunt* (l) furnishes us with a practical, and easily understood, instance of election. There a testator, being possessed of fee simple and fee tail property, and having two daughters, devised certain fee tail property to one entirely, and certain fee simple property, and certain money, to the other. This other contended that her father had no power to thus deprive her of her share in the entailed property, and claimed to have her share therein, as well as the benefits which she took under the will. The Court held that she must elect between the two, for it was evident she was not meant by her father to take the benefits he had conferred on her, and, at the same time, dispute his other devise, and, in giving judgment, Lord Cowper said:—"In all cases of this kind where a man is disposing of his estate amongst his children, and gives to one fee simple lands, and to another lands entailed or under settlement, it is upon an implied condition that each party acquit and release the other."

Election
occurs whether
party knew
property not to
be his own, or
thought it was
his own.

This, therefore, shows us plainly the first elementary idea of the doctrine, but the question then presents itself whether there is any difference with regard to the doctrine if a testator knows he is giving away what he has no power to so deal with in a direct manner, or if he gives away the property under the notion that it is his, and that he can do

(l) 1 Wh. & Tu., 414.

what he likes with it. The answer to this question is, that there is no difference in the position; it is quite sufficient that the testator does dispose of property which, in fact is not his own, without any enquiry whether he did so knowing it not to be his own, or whether he did so under the erroneous supposition that it was his own (*m*).

For the doctrine to apply, however, it must clearly appear, from the words made use of in the will, that the testator meant to dispose of property which he was not entitled to, and parol evidence will not be admitted on the point (*n*). In one case a testator bequeathed certain leasehold houses, and the interest of all his funded property, upon trust for his wife for life, and after her death upon trust to pay divers legacies. At the date of his will he had no funded property except some that was standing in the joint names of himself and his wife, and which, therefore, his wife would take by survivorship. It was here contended that, as the wife took benefits by the will, a case of election was raised as regards this funded property; but the Court held that the doctrine did not apply, because there was nothing on the face of the will to shew that the testator was dealing with his wife's property, for he might very well have acquired funded property some time before his death, and no parol evidence on the point could be received (*o*). Generally, it may be stated that if it is possible to put a construction on a will, which appears to carry out the testator's intention without raising a case of election, this will be done. Therefore, the doctrine of election has been held not to be applicable to cases where the testator has some present interest in the estate disposed of by him,

Where the doctrine will not apply.

Dummer v. Pitcher.

(*m*) Story, 747, 748.

(*n*) *Clements v. Gand*, 1 Keen, 309; and see 1 Wh. & Tu., 425, 428.

(*o*) *Dummer v. Pitcher*, 2 My. & K., 262.

although it is not entirely his own (*p*), for it is surely more reasonable to presume that he was dealing with what was his own, rather than with what was not. Thus, if a testator has a reversion in Whiteacre, and he professes to devise Whiteacre, and by his will he also gives a benefit to the tenant for life of Whiteacre, here ordinarily no case of election arises, for, *primâ facie*, he is to be deemed only to refer to what he had power to dispose of, viz., the reversion in Whiteacre. However, a contrary intention may appear so as to raise a case of election, as if Whiteacre is devised upon limitations which, were the testator's own interest only to pass, could not, or probably would not, ever take effect (*q*).

Compensation
is the doctrine,
not forfeiture.

Streatfield v.
Streatfield.

Example.

The case of *Noys v. Mordaunt*, to which reference has been made, though supplying us with the general idea of the doctrine of election, does not inform us of the result of the person, whose property is given away, electing against the instrument, that is to say, refusing to give up his own property. The leading case of *Streatfield v. Streatfield* (*r*), however, informs us upon this point, that being a distinct authority to the effect that such person does not necessarily forfeit the whole benefit given to him, but only so much as will compensate the person who is disappointed of his benefit by reason of the other's election not to give up his property—in other words, compensation, and not forfeiture, is the rule. This point has been the subject in former times of much controversy, but is now well settled (*s*). Thus, to take a simple instance—A gives to B £1,000, and gives to C a cottage, the property of B, worth say

(*p*) Story, 445, 746.

(*q*) 1 Wh. & Tu., 427.

(*r*) 1 Wh. & Tu., 416.

(*s*) 1 Wh. & Tu., 422; Story, 740, 741.

£300. B elects against the instrument, that is, he declines to give up his cottage; but still he will get £700 of the legacy, for the Court only assumes jurisdiction to sequester the benefit intended for the refractory donee, in order to secure compensation to the person whom his election disappoints, and the surplus, after compensation, does not devolve as undisposed of, but is restored to the donee, the purpose being satisfied for which alone the Court controlled his legal rights (*t*).

As then the doctrine of election depends upon compensation, it follows that it will not be applicable when made contrary to the instrument, unless there is a free and disposable fund passing thereby, from which compensation can be made (*u*). Thus, suppose a person has a special power of appointment, and he appoints part of the fund to objects of the power, who would also, under the terms of the instrument conferring the power, take the property in default of appointment if no appointment were made, and he also appoints the residue of the fund to persons not objects of the power. Here the objects of the power to whom the appointment has been made, may set the excessive appointment aside, and claim the amount thereby appointed as coming to them in default of appointment. At the same time they are also entitled to take the specific shares appointed to them, for here no part of the testator's own property is comprised in the gifts, but only that which he had a power to distribute (*w*). But where a person has a special power of appointment, and appoints to a person, not an object of the power, and gives property of his own to the person entitled in default of appointment, the latter cannot take this benefit, and at the same time insist that there has

Election in the case of appointments under powers.

(*t*) See Note to *Gretton v. Haward*, 1 Swanst., 433.

(*u*) 1 Wh. & Tu., 423.

(*w*) *Bristow v. Ward*, 2 Ves. Jr., 336.

been no appointment, and that he therefore takes in default, but he will be put to his election (x). And where the donee of a power makes a valid and irrevocable appointment, and then by another instrument professes to revoke it, and to appoint to some other person, giving by the same instrument a benefit to the former appointee, the latter will be put to his election (y).

Election may arise in deeds as well as in wills.

Covenant by infant in marriage settlement.

The doctrine of election is applicable to deeds as well as to wills, but with regard to deeds a question of election of a different kind to that applicable to wills may occur, viz., cases of election without there being, as in the case of wills, a clear intention on the part of the settlor to dispose of property which was not his own (z). For, in the case of a deed which confers a benefit on a person who, at the same time, incurs a liability, such person cannot possibly be allowed to reject the liability as for some reason not binding, and, at the same time, accept the benefit (a). Thus, if an infant woman makes a marriage settlement not under the provisions of the Infants Settlement Act, 1855 (b), and in it she covenants to settle after-acquired property, and she takes also benefits from her husband under such settlement, here although the covenant will not bind her, by reason of her infancy, yet she will not be allowed to repudiate the covenant, and, at the same time, take the benefits conferred upon her by the settlement (c). But this doctrine does not apply where the benefit she takes under the settlement is a life interest settled on her without power of anticipation, for the reason that the effect of decreeing that she

(x) *Whistler v. Webster*, 2 Ves., 367.

(j) *Cooper v. Cooper*, L. R., 7 H. L., 53; 44 L. J., Ch., 6.

(z) 1 Wh. & Ta., 431.

(a) *Brown v. Brown*, L. R., 2 Eq., 481.

(b) 18 & 19 Vict., c. 43. See *ante*, p. 309.

(c) *Willoughby v. Middleton*, 2 J. & H., 344; 31 L. J., Ch., 683.

must give up the life interest, or rather give compensation out of it, would be to deprive her of that income which the settlement said should not be anticipated by any act or omission of hers. The doctrine of election, in fact, depends on intention, and an instrument which settles property on the wife, without power of anticipation, substantially contains a declaration of a particular intention which is inconsistent with, and excludes, the doctrine of election (d). In the case of *Re Vardon's Trusts*, referred to below, a settlement had been made on the marriage of an infant woman, without the sanction of the Court under the Infants' Settlement Act, 1855. By it £5,000 was settled on her by her husband for her separate use, without power of anticipation, and she covenanted to settle all after-acquired property upon certain trusts under which her husband would benefit. Afterwards, a sum of £8,000 was bequeathed to the married woman for her separate use, and she refused to settle it, and she also claimed to go on receiving her life interest in the £5,000. It was held by the Court of Appeal that she could do so (e).

Re Vardon's Trusts.

But, although ordinarily a person who takes a benefit under a deed in which he incurs a liability, cannot avoid the liability, and yet take the benefit, that principle has nothing whatever to do with the point of there being two separate gifts to a person, and he desiring to take one, and to reject the other. There is nothing to prevent this, for there is no case of election raised compelling the beneficiary to take

If two distinct gifts to a person, he may take one, and reject the other.

(d) *Re Vardon's Trusts*, 31 Ch. D., 275; 55 L. J., Ch., 259; Brett's Eq. Cas., 256.

(e) It may be remarked that, by reason of this, the covenant to settle after-acquired property should not be by the infant woman alone, but by her and her husband, and then, by reason of Section 19 of the Married Women's Property Act, 1882, it will generally be effectual. (*Stevens v. Trevor-Garrick* (1893), 2 Ch., 307; 62 L. J., Ch., 660; 69 L. T., 11. See *Indermaur's Conveyancing*, 467-470.)

all or nothing, unless there are words used which show that the taking of the one gift was conditional upon the donee taking the other also (*f*). Thus, if a testator devises a freehold estate to A, and then goes on also to bequeath him a leasehold house which is worthless, and burdened with a heavy rent and onerous covenants, here A may take the freehold estate, and disclaim the leasehold house.

Express
election.

Assuming that a person is bound to elect, the next question to be considered is, what will amount to an election? Of course, it is most satisfactory to be able to show an express election, as by the devisee or legatee executing a deed expressing that he elects, and confirming his own property to the other party concerned. This is conclusive, unless the election has been made under a mistaken impression; and, as persons compelled to elect are entitled previously to ascertain the relative values of their own property, and that conferred upon them, it follows that if a person elects upon wrong information as to value, such election will not always be binding on him. It does not, however, necessarily follow that a deliberate election must be bad because the person electing did not know all the facts; for, if he has chosen to so voluntarily elect, it would often be doing injustice to allow him to repudiate what he has done (*g*).

Implied
election.

But beyond an express election there may be many acts and circumstances which may be deemed an election, or which, in other words, raise a case of implied election, and here considerable difficulty often arises in deciding whether particular acts and circumstances do or do not amount to election. This is

(*f*) *Andrew v. Trinity Hall*, 9 Vds., 525; *Aston v. Wood*, 43 L. J., Ch., 715.

(*g*) *Dewar v. Maitland*, L. R., 2 Eq., 834.

a matter to be determined chiefly on the facts of every particular case, but it is still capable of being dealt with, to a certain extent, upon general principles. Four such general principles may be laid down, viz.: Four principles.

(1) That the party must be capable of electing; (2) That he must have known of the existence of the doctrine of election; (3) That he was aware of all facts necessary to enable him to properly elect; and (4) That notwithstanding the two last principles, yet the Court will hold a person to what he has done if it would be inequitable to disturb the position of things.

By the first principle above mentioned is, of course, meant that a person under disability cannot elect, a matter presently further considered. The second principle seems reasonable, for though it is a rule that *Ignorantia legis neminem excusat* (*h*), yet the doctrine of election is not in the nature of a positive rule of law, which a person is bound to know; and as a case of implied election arises from what is presumed to be intended, it would be impossible to arrive at a conclusion of intention if the party did not know of his rights (*i*). By the third principle is simply meant that the person is entitled, previously to electing, to ascertain the relative values of the properties, so as to determine his best course, and that, in the absence of such knowledge, an intention to elect cannot be presumed. But, notwithstanding this, if the person entitled to elect lets another so deal with one of the properties that it would be inequitable to disturb its possessor, then he will be estopped from doing so (*k*). Thus, if Whiteacre is given to A, and Blackacre, which belongs to A, is given to B, and A, without taking any trouble to

Explanation
of these four
principles.

(*h*) See *ante*, pp. 223-225.

(*i*) *Spread v. Morgan*, 11 II. L., Cas., 588.

(*k*) *Dewar v. Martland*, L. R., 2 Eq., 834.

ascertain the relative values of the properties, allows B to take possession of Blackacre, and then settle it on his marriage, here it would be inequitable to disturb the rights thus acquired. And, generally, upon the principle of not entertaining stale demands, where there has been a very considerable lapse of time, the Court will not entertain a claim to disturb another in his possession of property by reason of the doctrine of election (*l*).

Acts not
amounting to
election.

If a person on whom a duty to elect rests, and who has not been specially called upon to elect, continues in receipt of the rents and profits of both properties, such receipt cannot be construed into an election to take the one and reject the other. In like manner, if one of the properties does not yield rent to be received, and the party liable to elect deals with it as his own, *e.g.*, by mortgaging it, such dealing will be unavailable to prove an actual election, as against the receipt of the rent of the other property (*m*).

Effect of
person entitled
to elect dying
without
making
election.

If a person who is entitled to elect, dies without having elected, then, if both properties devolve on the same person, such person must elect (*n*). If such properties, however, respectively go to different persons, then there is no case of election, but the person taking the property the devise or bequest of which put upon the deceased the obligation of electing, must thereout compensate the other beneficiary (*o*).

Examples.

Thus, say a freehold house is devised by X to A, and X also devises to B a freehold house belonging to A, and A dies without having elected, here his heir or general devisee will be bound to elect. But

(*l*) Story, 750, 751.

(*m*) 1 Wh. & Tu., 440.

(*n*) *Fytche v. Fytche*, L. R., 7 Eq., 409.

(*o*) *Pickergill v. Rodger*, 5 Ch. D., 163.

suppose X devises a freehold estate (Whiteacre) to A, and bequeaths to B a leasehold property of A's, known as Blackacre. A has, however, already made his will, and by it has given Blackacre to C, and say that such will contains a residuary devise in favour of D. Now, take it A dies without making any election. It is manifest that Blackacre goes to C, and no one can prevent him taking it. What, then, is D's position? Does he take Whiteacre under the residuary devise? Certainly, if he likes to, but if he does so take it he must pay to B the value of Blackacre, and Whiteacre, will, in his hands, be charged to that extent. This is not election; it merely follows as a matter of plain principle that D has nothing to complain of, for the very instrument (X's will) which gives him the benefit of Whiteacre, gives him the benefit burdened with the obligation. Or, again, suppose in the above case that A had died intestate. Then, of course, his leasehold property (Blackacre) must go to his next-of-kin, and, as regards A's heir, if he chooses to take Whiteacre he will take it charged with the payment to B of the value of Blackacre (*p*).

With regard to persons under disability, it is far too wide a proposition to lay down generally, that such persons cannot elect. Thus, with regard to married women, although the ordinary practice has been to direct an inquiry as to which is most for the benefit of the married woman, and then to require her to elect within a limited time, yet in some cases the Court has at once elected for her, seeing what was manifestly for her interest (*q*). However, though this is the ordinary practice of the Court, it has been decided that a married woman can elect by herself,

Election in the case of persons under disability.

Married women.

(*p*) See 1 Wh. & Tu., 445.

(*q*) 1 Wh. & Tu., 443.

*Robinson v.
Wheelwright*

Conveyancing
Act, 1881,
sect. 39.

and, even as to realty, without any deed acknowledged, upon the principle that to hold otherwise might be to permit her to commit a fraud (*r*). And, of course, this would *à fortiori* be so now since the Married Women's Property Act, 1882 (*s*); but, probably, this statute has not altered the general practice of the Court with regard to acting in the case of a married woman, who has not already elected, by directing an enquiry as just mentioned. But where, to enable a married woman to take property given to her, it would have been necessary for her to have given up property settled upon her for her separate use without power of anticipation, the Court refused to aid her, although it was manifestly for her benefit to do so, considering itself precluded from doing so by reason of the anticipation clause (*t*). It is, however, now provided by the Conveyancing Act, 1881 (*u*), that, notwithstanding a married woman is restrained from anticipation, the Court may, if it thinks fit, where it appears to be for her benefit, by judgment or order, with her consent, bind her interest in any property.

Infants.

With regard to infants, although an infant cannot elect, yet the Court can elect for him, and this power the Court will at once exercise if it is manifest which course is most for the infant's benefit (*w*); but, if it is not so manifest, the Court will direct an enquiry to be made in chambers as to which is most beneficial, and will then elect for the infant in accordance with the result of such enquiry (*x*). But, in some cases

(*r*) *Barrow v. Barrow*, 4 K. & J., 409; *Wilder v. Piggott*, 22 Ch. D., 263; 52 L. J., Ch., 141; 48 L. T., 112.

(*s*) 45 & 46 Vict., c. 75.

(*t*) *Robinson v. Wheelwright*, 6 De G., M. & G., 535.

(*u*) 44 & 45 Vict., c. 41, sec. 39.

(*w*) *Blunt v. Lack*, 22 L. J., Ch., 148; *Re Montagu, Faber v. Montagu* (1896), 1 Ch., 549; 65 L. J., Ch., 372; 74 L. T., 346, in which case the Court at once made the election. The form of the order made is given in 65 L. J., Ch., 374.

(*x*) *Brown v. Brown*, L. R., 2 Eq., 481.

where there is no occasion for an immediate election, the Court will postpone the election until the infant attains twenty-one, so that he can then himself determine the matter (y).

The Court has inherent jurisdiction to elect for a Lunatics. lunatic, and the ordinary practice is to direct an enquiry to be made in chambers, as to what is most beneficial, and the Court will then elect for him, in accordance with the result of such enquiry. In considering what is for the benefit of the lunatic in such a case, the Court should not merely look at his pecuniary benefit, but act for him as if he were of sound mind, and actuated by such motives as would influence a reasonable man (z).

(y) *Streatfield v. Streatfield*, 1 Wh. & Tu., 416.

(z) *Re Earl Sefton* (1898), 2 Ch., 378; 67 L. J., Ch., 518; 78 L. T., 765.

CHAPTER II.

SATISFACTION AND PERFORMANCE.

Definition of
Satisfaction.

Definition of
Performance.

Distinction
between
satisfaction
and per-
formance.

Cases of
express
satisfaction.

SATISFACTION in Equity may be defined as the making of a donation with the intention, expressed or implied, that it is to be an extinguishment of some existing right or claim of the donee (a). Performance may be defined simply as the doing of a thing agreed to be done. Both doctrines would seem to have as their basis the maxim, "Equity imputes an intention to fulfil an obligation." Particularly is this seen in the doctrine of performance, for, where a man is under an obligation to do a thing, and he does something, it is only reasonable to presume, if possible, that the something which he does, bearing some resemblance to his obligation, is, indeed, the very thing itself. So also with satisfaction, the argument is that it is reasonable to presume that, although a person does something other than what he was under an obligation to do, yet he meant it to be instead of his obligation, although he has not said so. The great distinction between the two doctrines is, that satisfaction is a substitution, whilst performance is the doing of the very thing itself; and we have to consider, firstly, when an act done will operate in satisfaction of another, and secondly, when an act done which is not manifestly a performance of an obligation, is yet so construed by the Court.

Where a person in so many words plainly says that something which he does is instead of some-

thing else, no one can question the justice of the doctrine; it would be absurd to let a person take both benefits, and the subsequent one must, therefore, if taken, extinguish the former obligation either entirely or in part. But, though nothing of this kind is said, the Court presumes such an intention in certain cases, mainly upon the principle that a man shall be presumed to be just before he is generous. It is somewhat difficult to vindicate the justice of the doctrine to the extent to which, as will be presently pointed out, it exists, for surely a will imports a bounty, and it is difficult to logically arrive at the conclusion that it is not so meant. In fact, the whole doctrine of presumed satisfaction, stands more by the force of decisions which cannot be now shaken, than by the strength of an original basis of sound principle (b).

Presumed satisfaction.

Cases of presumed satisfaction may be divided into two wide classes, viz.: (1) Satisfaction arising in the case of a portion to a child, or one towards whom the donor stood in *loco parentis*, followed by some subsequent benefit; and (2) Satisfaction arising in the case of a legacy given to a creditor.

Two wide classes of presumed satisfaction.

Firstly, as regards portions. A portion is a provision made for a child by a parent, or one occupying that position, of a sum of money or other property, of such an amount that it would reasonably be presumed to have been intended to have been given to establish the child in life (c). A person not occupying the actual position of a father, may yet take upon himself a father's duties by substantially adopting a child, and he is then said to put himself in *loco parentis*; and he may do this even although

Satisfaction in the case of portions.

What is putting oneself in *loco parentis*.

(b) Story, 751, 752.

(c) See Brett's Eq. Cas., Notes to *Tussaud v. Tussaud*, at p. 266.

*Powys v.
Mansfield.*

the actual father is living. A person putting himself in *loco parentis* may be described as a person who, by the way in which he has acted, may fairly be said to have meant to put himself in the situation of the father with reference to the office and duty of such father to make provision for the child (*d*). The case of *Powys v. Mansfield* (*e*) is peculiarly illustrative of this. There the father of two daughters had a wealthy brother who practically controlled the family, the father by the desire of his brother residing near him, and maintaining, with his brother's assistance, a more expensive establishment than he could, unaided, have afforded. The brother took great interest in his nieces, treating them as his own daughters, making them presents, giving them pocket-money, allowing them to use his horses and carriages, frequently having them to stay at his house, and personally interesting himself in their tuition, and in their marriages, as a father would have done. The Court held that, although the father of the young ladies was living, their uncle had, nevertheless, placed himself in *loco parentis* towards them.

Illegitimate
child.

An illegitimate child is looked upon by the Court as a stranger, and no presumption of satisfaction arises with regard to him, unless there are circumstances to show that the donor intended to place himself in *loco parentis* towards him (*f*).

Gifts to
children
looked at as
portions.

Using then the word parent as expressing not only an actual parent, but also one who has placed

(*d*) Per Lord Eldon, in *Ex parte Pye*, 2 Wh. & Tu., 366.

(*e*) 6 Sim, 644.

(*f*) *Ex parte Pye*, 2 Wh. & Tu., 366; see, however, *Re Lawes, Lawes v. Lawes*, 20 Ch. D., 86; 45 L. T., 480, in which case Sir G. Jessel, M.R., appears to have considered that from the mere fact of the testator being the putative father, he stood in *loco parentis* towards his natural son; but it was not necessary for the purposes of that case to decide this point, and at most this can only be taken as an extra-judicial opinion.

himself in *loco parentis*, there is an obligation of a moral kind cast upon the parent to provide for his child; and therefore when a benefit is given to a child the Court always takes it that the father is paying a debt of nature, and looks at the benefit given in the light of a portion, whether it be by settlement or will, or by an advancement on some appropriate occasion, *e.g.*, marriage (*g*). Then the Court goes a step further, and says that the father is the best judge of what is the proper provision or portion for his child; and that when, by settlement or will, he has fixed the amount, though he has not yet actually handed it over, it is not to be taken, if he afterwards confers some other benefit upon the same child, that that is in addition to the former provision, but rather on account, or in extinguishment of it (*h*). In other words, he is not supposed to be adding to what he has fixed as the portion and which at present remains an unfulfilled obligation, but to be endeavouring to satisfy such obligation. The Court, therefore, leans against double portions and in favour of satisfaction, and a result is produced which, though to some extent justified by this somewhat artificial reasoning, yet undoubtedly may operate very harshly towards children, especially when contrasted with gifts to others. Thus, suppose A gives, by his will, to his son £5,000, and to his nephew (towards whom he has never placed himself in *loco parentis*), a like sum, and both subsequently marry, and then A gives each of them £5,000 on his marriage-day. On A's death the son will get nothing under the will, but the nephew will still get £5,000. The argument is that in the case of a nephew, or, indeed, in the case of anyone not occupying the position of an actual or adopted child, there is no moral duty to provide for such person, and, therefore, there is no obligation to

Example
hereon, as
contrasted
with gifts to
others.

(*g*) *Ex parte Pye*, 2 Wh. & Tu., 366.

(*h*) *Ibid.*

discharge, and the benefits are separate spontaneous gifts; whilst in the case of the child there is the obligation, and it is presumed that the desire is to satisfy that obligation.

Satisfaction
arises equally
whether first
a settlement,
or a will.

Of course, when a person first makes an actual advancement to a child, and then afterwards makes a provision by settlement, or by will, no point of satisfaction can arise, because the first amount has been actually paid over, and anything else must naturally be in addition to that, for there is no longer outstanding any recognised unfulfilled obligation. But where there is a settlement first, under which the obligation exists by reason of some covenant therein, and then there is a provision by will, or an advancement is made, or where there is a will first, and then there is a provision by settlement, or an advancement is made, the doctrine applies.

No substantial
difference.

And there is substantially no difference whether the settlement containing the covenant comes first, or the will. It was, however, at one time thought that there was a difference, in that if the will came first and then the settlement or advancement, the will being a revocable instrument, the subsequent benefit, though of less amount, might entirely extinguish the legacy (*i*); whilst it could only be an extinguishment in part if the settlement containing the covenant came first, because there was an actual right acquired under the settlement. But it is now clearly decided that in all cases where the second sum given is less than the first, it can but operate as a satisfaction *pro tanto* (*k*). There is, however, some little difference in the technical working out of the matter, for if the first provision is by will, then the subsequent advancement, or settlement, takes away that money which would have passed under

But there is a
technical
difference.

(*i*) See *Ex parte Pye*, 2 Wh. & Tu., 366.

(*k*) *Pym v. Lockyer*, 5 My. & Cr., 29.

the will, and to that extent the will is inoperative; but if the first provision is by a covenant in a settlement, and then there is an advancement or bequest, the child must here elect. Naturally, if the legacy is greater, he elects to take that, and thus the obligation under the settlement is entirely extinguished; but, if smaller, then he pays no attention to the will, but takes what he is entitled to by reason of the covenant in the settlement.

From this technical distinction arises also a difference in name, whilst the doctrines are in substance and idea identical. When the settlement comes first, and then the will or advancement, this is said to be satisfaction properly so called; but if the will comes first, then it is styled ademption. This is by analogy to the ademption of a specific bequest (*l*), and the idea of so styling it, is, that the money which would have passed under the will, has been taken out of the scope of the will, and is in substance not existing to pass under it at the date of the testator's death. There is in effect, however, no difference between the two cases beyond the verbal difference of styling the doctrine, satisfaction in the one case, and ademption in the other—the principles applied to the two cases are the same (*m*).

When the doctrine of satisfaction is styled ademption.

It must be clearly understood that the doctrine of satisfaction or ademption in the case of portions to children, is carried to a great length, for, as has been already said, the Court leans in favour of there being a satisfaction, or ademption, and against double portions, so that though there may be slight circumstances of difference, yet the doctrine will generally prevail. The Court, it has been said, does not weigh

The Court leans against double portions.

(*l*) See *ante*, p. 125.

(*m*) Per V. C. Wood in *Coventry v. Chichester*, 2 H. & M., 158.

in golden scales the provisions that have been made, and does not determine against the doctrine merely because the two benefits differ in amount or even in kind. A difference in amount has never been held sufficient proof of intention to make double provisions, and it has been distinctly held that the circumstance of the sums being payable at different times, and other differences, so that they be slight, will not prevail over the general presumption against double portions (n). In accordance with this principle, it has been held that a bequest made to a daughter for life, with remainder to her children, was adeemed by a gift made *inter vivos* to the daughter and her husband (o). And, again, it was held that a sum given to a daughter's husband in consideration of his making, on his marriage, a settlement upon her and her children, operated as an ademption of a legacy to the daughter (p). And, although a contrary opinion formerly prevailed, it has now been decided that if there is a sum of money by way of a portion, covenanted by a settlement to be paid to a child, and then there is a will containing a bequest of residue to the same child, this will operate as a satisfaction entirely or *pro tanto*, and the child will not be allowed to take first the portion, and then the residue (q). As regards the converse position of a residuary gift being first made to a child, and then a subsequent portion given or settled, it has been held that though there may here be an ademption, it does not necessarily so follow, for it is a question of intention; but that it does not depend upon the mere uncertainty of the residue, or upon slight differences between the trusts of the residue

*Kirk v.
Eddowes.*

Satisfaction by
gift of residue.

*Thynne v.
Earl of
Glengall.*

(n) *Wharton v. Earl of Durham*, 3 Myl. & K., 479; *Stevenson v. Mason*, L. R., 17 Eq., 84. See also *Re Lawes*, *Lawes v. Lawes*, 20 Ch. D., 81; 45 L. T., 480.

(o) *Kirk v. Eddowes*, 3 Hare, 509.

(p) *Durham v. Wharton*, 3 C. & F., 146.

(q) *Thynne v. Earl of Glengall*, 2 H. L. Cas., 131; See also *Re Battersby's Estate*, 19 L. R., Ir., 359.

and the trusts of the settlement (r). All these instances clearly go to show that the Court leans in favour of the doctrine of satisfaction or ademption, and against double portions, for the discrepancies appearing in each case would naturally give opportunity to the Court to say there was no satisfaction or ademption, if it chose to do so, and yet we find the Court generally holding that the doctrine does apply, and that satisfaction or ademption takes place.

But where there are really substantial differences between two provisions, no satisfaction will take place. Thus by an indenture of settlement on the marriage of one of two daughters of B, B covenanted to pay to the trustees of the deed £10,000 upon terms which conferred a direct benefit on the husband. Also by his will, made after the settlement, B gave to trustees all his property upon trust, after payment of debts, for division between his two daughters in equal moieties, but so that their respective husbands should not take any benefit thereunder. It was held that the gift by the will was not a satisfaction of the covenant, and that the sum of £10,000 under the settlement must be paid out of the property before the division of the residue into equal moieties took place (s). In another case, a father covenanted with trustees on the marriage of his daughter, that his executors should transfer to the trustees £2,000 consols to be held upon trust for such persons as his daughter should, with the consent of the trustees, appoint, and in default of appointment upon trust for the daughter for life, then for the husband for life, then for the children of the marriage, and then in default of children, for the husband absolutely. The father

Cases of no satisfaction.

Chichester v. Coventry.

Re Tussaud.

(r) *Monifiore v. Guedella*, 6 Merr. N. S., 29.

(s) *Chichester v. Coventry*, L. R., 2 H. L., 95; 36 L. J., Ch., 673.

died without having fully performed his covenant, and having subsequently to the settlement made his will, whereby he bequeathed a greater sum to trustees upon trust for his daughter for life for her separate use, without power of anticipation, and after her death for her children by any marriage, and in default of any such children, the fund was to fall into the residue of his estate and go to his own son. It was held, that there were such substantial differences between the provisions of the settlement and the will, that the presumption against double portions was rebutted, and that the covenant must be fully performed, and the money bequeathed by the will duly paid (*t*). On the same principle of substantial difference, it has been held that a legacy to a daughter was not adeemed by a simple gift to the daughter's husband after marriage (*u*). And a legacy to a child is not adeemed by occasional small gifts, made by the testator in his lifetime, nor by a sum of money simply given to the child for a wedding outfit, or for the wedding trip (*w*).

Evidence
to rebut
satisfaction.

Intrinsic
evidence.

But, it must be remembered that the whole doctrine which we are considering is but a presumption of Equity, based on what the Court considers the probable intention of the father, or other person standing in *loco parentis*; and such presumption is liable to be rebutted by any indication of a contrary intention appearing in the instrument conferring the benefit, and on which the question arises, or even by extrinsic evidence. Thus, if a father having made a settlement containing a covenant to provide a sum by way of a portion for his child, subsequently makes his will in which, after reciting the

(*t*) *Re Tussaud's Estate, Tussaud v. Tussaud*, 9 Ch. D., 363; 47 L. J., Ch., 849; Brett's Eq. Cas., 264.

(*u*) *Ravenscroft v. Jones*, 32 Beav., 669.

(*w*) *Ibid.*; Story, 762.

settlement, he expresses a desire to make further provision for the same child, and then gives that child a legacy, it could not be suggested that there was any satisfaction, for there is an express indication of a contrary intention. And, even without any such express indication, the circumstances may be such as to amount to intrinsic evidence against satisfaction, *e.g.*, where the portion is vested, and the subsequent legacy is contingent (*x*). And land will not be presumed to be a satisfaction for money, or money for land (*y*), unless there are special circumstances showing that the value of the land was computed, and that it was regarded as money (*z*). Considerable difficulty often arises as to what is sufficient intrinsic evidence of intention to rebut the doctrine (*a*).

As regards extraneous or extrinsic evidence to rebut the doctrine of satisfaction or ademption, sometimes there may be express declarations of the donor that he meant the child to take both benefits, and sometimes the surrounding circumstances may show that such was his intention. Thus, in one case, a testator left his shares in a brewery to his three sons, Thomas, Henry, and Ernest, equally. At the date of his will he held twenty-one shares in the brewery, and the son Ernest was engaged in the brewery as a salaried manager. Subsequently, in response to requests from Ernest to the testator for an increase of salary, he was admitted into the business as a partner, giving up his salary and receiving two of the testator's shares. It was held that, even assuming that the two shares thus assigned to Ernest could be considered as a portion, the presumption against double portions was rebutted

Extraneous
or extrinsic
evidence.

*Larson v.
Larson.*

(*x*) *Bellasis v. Uthwait*, 1 Atk., 426.

(*y*) *Ibid.*

(*z*) *Re Lawes, Lawes v. Lawes*, 20 Ch. D., 81; 45 L. T., 480.

(*a*) See *Montague v. Earl of Sandwich*, 32 Ch. D., 525; 55 L. J., Ch., 925; 54 L. T., 502.

by the evidence of the testator's intention, and that Ernest was entitled to retain the two shares, and participate equally with his two brothers in the nineteen shares passing by the will (b).

Principle of
the admission
of extrinsic
evidence.

In admitting extraneous or extrinsic evidence to rebut the presumption of equity, it must be borne in mind that there is no conflict with the general rule that parol evidence cannot be given to alter, add to, or vary a written instrument, or to prove with what intention it was executed; for the evidence is not admitted for the purpose of proving the intention in the first instance, but as dealing only with a presumption of the Court, for the purpose of ascertaining whether that presumption is well or ill founded (c). Where there are two written instruments—say, first a will and then a settlement—in favour of the same child, though as they stand there would be two distinct benefits, yet the presumption of the Court primarily preventing this being so, parol evidence can be admitted for the purpose of showing that really the child was meant to take both. This is not contradicting or varying, but rather supporting the written instruments, and is but rebutting the presumption of Equity. But once admit parol evidence thus, and it becomes absolutely necessary to admit any counter-parol evidence that may exist, so that, if possible, the presumption of Equity may be supported (d). Thus, if by a will a legacy is given to a child, and afterwards there is an advancement, or a settlement, made in favour of such child, here evidence might be given that the testator at the time of such advancement or settlement, or even subsequently, said that he still meant the child

(b) *Re Lacon, Lacon v. Lacon* (1891), 2 Ch., 482; 60 L. J., Ch., 403; 64 L. T., 429.

(c) *Kirk v. Eddowes*, 3 Hare, 509.

(d) 2 Wh. & Tu., 392.

to have the legacy, and this might lead to considerable conflict of evidence on both sides. The rules as to the admissibility of extrinsic evidence are the same whether a will, or a settlement, comes first (e).

But upon the principle that parol evidence cannot be given against written instruments, as distinguished from giving it to rebut what is merely a presumption, if a gift to a child is of such a nature that the Court would not itself raise a presumption of satisfaction, extrinsic evidence is not admissible to show that a satisfaction was in fact intended (f).

Extrinsic evidence not admitted to raise a case of satisfaction.

It may be stated, as a general rule, that extrinsic evidence may be always given to merely rebut a presumption of Equity; but this rule must not be carried further, so as to originally introduce evidence to rebut, not a presumption, but a written instrument. Thus, in one case, a testator bequeathed certain property equally between his children, and after reciting that certain specified sums had been advanced by him to some of his children on account of their shares, he directed that such advancements were to be brought into hotch-pot—that is, that any child taking under his will should bring into account the amounts of his advancements. Some of the children desired to give evidence to show that certain of the recited advances had in fact never been made. It was held that the evidence was inadmissible, for to admit it would be to contradict the instrument under which they took their benefits (g).

Extrinsic evidence not admitted to contradict a writing.

Re Wood, Ward v. Wood.

(e) *Re Tussaud's Estate, Tussaud v. Tussaud*, 9 Ch. D., 363; 47 L. J., Ch., 849; Brett's Eq. Cas., 264.

(f) See 2 Wh. & Tu., 392; *Hall v. Hill*, 1 Dr. & War., 94; *Kirk v. Eddowes*, 3 Hare, 509.

(g) *Re Wood, Ward v. Wood*, 32 Ch. D., 517; 55 L. J., Ch., 720; 54 L.T., 932.

One case of satisfaction of legacy to a stranger.

Although, as has been stated, the doctrine of satisfaction does not apply to strangers, but only to children, and those towards whom a person has placed himself in *loco parentis*, yet, where a testator gives a legacy to any person, expressing it to be for a particular purpose, and afterwards he advances money for the same purpose, a presumption arises that the advancement was an ademption of the prior legacy, and, in the absence of evidence to the contrary, it will be so held (*h*).

Satisfaction in the case of legacies to creditors.

Talbot v. Duke of Shrewsbury.

Ground for this doctrine.

Secondly, as to satisfaction in the case of legacies to creditors. The general rule on this subject is laid down in the leading case of *Talbot v. Duke of Shrewsbury* (*i*), as being that where a debtor, without taking any notice of the debt, bequeaths a sum as great as, or greater than, the debt to his creditor, this shall be a satisfaction unless bequeathed upon some contingency, and that the creditor shall not receive both the debt and the legacy. The ground of the doctrine is—as has been stated, indeed, with regard to satisfaction generally (*h*)—that the testator must be presumed to have meant to be just before being generous; and, therefore, although a legacy is generally to be taken as a gift, yet, when it is to a creditor, it ought to be deemed to be an act of justice, and not of bounty, in the absence of countervailing circumstances, according to the maxim of the civil law, "*Debitor non præsumitur donare*" (*l*).

Position where legacy to creditor and then debt paid.

It should be observed that where a person owing money, makes a bequest to his creditor which, by reason of the doctrine of satisfaction, operates as an

(*h*) *Monck v. Monck*, 1 Ball & B., 303; *Griffith v. Bourke*, 21 L. R., Ir., 92.

(*i*) 2 Wh. & Tu., 375.

(*k*) See *ante*, pp. 334, 335.

(*l*) Story, 769.

extinguishment of the debt, and then after making the will, he pays the debt, and dies without altering his will, the doctrine of satisfaction still applies, and the legacy will not be paid. Thus, in one case, A, owing his wife £625, made his will bequeathing her £625. He subsequently paid off the debt and then died. It was held that the wife was not entitled to the legacy (*m*). In this case Mr. Justice North said : "I am told that there is no case in the books in which such a legacy has been treated as being in satisfaction of a debt, except where either the debt has continued to be in existence at the death of the testator, or the special purpose for which it was given, has been mentioned in the will. But in my opinion, where the existence of the purpose is founded on a presumption of law, which there is no evidence to rebut, the case stands in the same position as if the purpose was stated in the will."

Re Fletcher, Gillings v. Fletcher.

The doctrine of satisfaction, generally, cannot be considered as altogether satisfactory, and in the case of legacies to creditors it has in particular met with much censure, and is deemed to have so little of solid foundation, either on general reasoning, or as a just interpretation of the intention of the testator, that slight circumstances have been laid hold of to escape from it, and to create exceptions to it (*n*). Still it is difficult to see that it is more deserving of disapprobation than is the same doctrine arising in the case of portions to children. Be that, however, as it may, whilst the Court, as has been shown, leans in favour of the doctrine of satisfaction, or ademption, as regards portions to children, and strives, as it were,

The Court leans against satisfaction of debts by legacies.

(*m*) *Re Fletcher, Gillings v. Fletcher*, 38 Ch. D., 373; 57 L. J., Ch., 1032; 59 L. T., 313.

(*n*) Story, 779; In *re Horlock, Calham v. Smith* (quoted *post*, p. 349), Mr. Justice Stirling said : "I join with the many Judges who have disapproved the rule laid down. I equally disapprove of the exceptions taken to it. But both are binding on me; I take the law as I find it."

to hold anything a satisfaction or ademption when possible, yet in the case of legacies to creditors the reverse rule prevails, that is to say, the Court leans against satisfaction of a debt by a legacy, and will lay hold of trifling circumstances in order, if possible, to prevent it. Thus, even in *Talbot v. Duke of Shrewsbury* (o), it was held that a legacy would only satisfy the debt if equal to, or greater in amount; and also that the fact of a legacy being given on a contingency would be sufficient to prevent satisfaction. In the leading decision, known as *Chancey's Case* (p), it was also held that, notwithstanding the general rule, slight evidence of intention, to be gathered from the will, would prevent there being any satisfaction; so that where there was a legacy to a creditor far exceeding the amount of the debt, but the will contained a direction that all the testator's debts and legacies should be paid, it was held that this direction showed an intention that the testator's debts should be paid as well as his legacies, and was sufficient to prevent the legacy to the creditor operating as a satisfaction of the debt. It will be observed that the direction in the will in this case was to pay debts and legacies, but it may now be considered as settled, that even when a testator directs debts to be paid without mentioning legacies, the same rule applies, and the presumption of satisfaction of a debt, by a legacy to the creditor, is rebutted (q).

Instances showing this.

The fact that the legacy is given payable at a later time to that at which the debt will become payable, is sufficient to prevent satisfaction. Thus, where a debt is owing by a testator, which is

(o) 2 Wh. & Tu., 375; *ante*, p. 346.

(p) 2 Wh. & Tu., 376.

(q) *Re Huish, Bradshaw v. Huish*, 43 Ch. D., 260; 59 L. J., Ch., 135; 62 L. T., 52.

payable immediately, and a legacy of larger amount is given, but the legacy is made payable a month after the testator's death, though practically the debt would not probably be paid before that time, yet there is the immediate right to sue for it, and this discrepancy is sufficient (*r*). And even where no time is fixed for payment of the legacy, it must be borne in mind that, strictly, it is not payable, and will not carry interest, until after a year from testator's death, and it has, therefore, been held that a legacy so given will not satisfy a debt which is payable immediately, or at an earlier date than a year from the testator's death (*s*). Therefore, to make a legacy a satisfaction of a debt, not only must it be equal to or greater than the debt, but it must, by law, or by the testator's direction, be payable as soon as the debt would itself be payable. This shews strongly the leaning of the Court against satisfaction in this class of cases, and it may further be mentioned—summing up a number of decisions—that a legacy will not be allowed to operate as a satisfaction of a debt (1) Where a particular motive is assigned for the gift; (2) Where the legacy is contingent or uncertain; (3) Where the bequest is of a residue; (4) Where the debt is a negotiable security; (5) Where the legacy is given to the creditor's wife; (6) Where the debt is upon an open and running account. And it is manifest that the presumption of satisfaction cannot arise where the debt of the testator was contracted subsequently to the making of his will, for he could have had no intention of satisfying, by the bequest, a debt which was not then incurred (*t*).

Summary of
decisions
hereon.

Re Horlock.

(*r*) *Matthews v. Matthews*, 2 Ves., 635.

(*s*) *Re Horlock, Calhoun v. Smith* (1895), 1 Ch., 516; 64 L. J., Ch., 325; 72 L. T., 223; *Re Dowse*, L. R., 18 Eq., 595.

(*t*) Story, 770; see also Brett's Eq. Cas., Notes to *Tussaud v. Tussaud*, pp. 269, 270.

Extrinsic evidence admitted to show legacy no satisfaction of debt.

Hall v. Hall.

The remarks that have already been made with regard to the admissibility of extrinsic evidence in cases of satisfaction of portions (*u*), are equally applicable as regards the subject of satisfaction in the case of legacies to creditors (*w*). Such evidence is admitted to rebut the presumption of satisfaction, and when thus admitted, counter evidence is also allowed to be given; but extrinsic evidence is not admitted to contradict the plain effect of an instrument, and to raise a case of satisfaction. Thus—to illustrate this last statement—in one case A gave a bond for £800 to his son-in-law on his marrying his daughter, and thus created a debt. Then, by his will, he bequeathed £800 to his daughter. It was held that the bond must be met, and the legacy also paid, and that parol evidence was not admissible to show that A's real intention was to satisfy, by this legacy, the obligation he had incurred under the bond (*x*).

Legacy by a parent to a child to whom he owes money.

Where a parent is really pecuniarily indebted to his child—that is, owes him money, which is in no proper sense a portion—the position with regard to the doctrine of satisfaction, is the same as in the case of his being indebted to any other person, and the rules we have just been considering as to whether the legacy will, or will not, satisfy the debt, apply (*y*). But where a parent, owing at the time a sum of money to his child, makes an advancement to such child upon marriage, or some other occasion, of a sum equal to or exceeding the debt, and in every other respect equally beneficial, it will *primâ facie* be considered to extinguish the debt (*z*).

(*u*) *Ante*, pp. 343-345.

(*w*) 2 Wh. & T., 397, 398.

(*x*) *Hall v. Hall*, 1 Dr. & War., 94.

(*y*) *Tolson v. Collins*, 4 Ves., 483; *Crichton v. Crichton* (1895), 2 Ch., 853; 65 L. J., Ch., 13; 73 L. T., 556.

(*z*) *Wood v. Briant*, 2 Atk., 521; *Plunkett v. Lewis*, 3 Hare, 316.

Somewhat allied to the doctrine of satisfaction—in fact, so much so, that it is sometimes treated of as satisfaction (*a*)—is the subject of the repetition of legacies, and whether they are to be deemed cumulative or substitutional; that is, whether, when a testator leaves to a legatee two separate legacies, he will get them both, or will only get one of them. In a sense this may be said to raise a question of satisfaction, but the true principles of the doctrine of satisfaction are not involved, and the most that can be said is that, as in satisfaction, presumed intention is the key to the position (*b*).

The question of whether legacies are cumulative or substitutional.

The leading case upon this subject is *Hooley v. Hatton* (*c*), where it is laid down: Firstly, that a specific thing cannot be given twice, which is a self-evident proposition, for if a testator having one horse, gives that horse to A, and then later on in the same will, or in a codicil, again gives that horse to A, of course A can only have the one horse. Secondly, that if a general legacy of the same amount is given twice in the same will, for the same cause, and in the same words, or only with small differences, then the legatee will not get both, but the one is in substitution of the other. Thirdly, that if a general legacy is given by will, and then to the same legatee, there is a general legacy given by codicil, in the absence of internal evidence to the contrary, the legacies will be cumulative, and the legatee will get them both.

Hooley v. Hatton.

The reason for the secondly above-mentioned rule is, that the repetition is considered to arise from forgetfulness (*d*). And this rule is applicable where,

Reason why legacies by the same instrument are substitutional.

(*a*) See Snell's Eq., 224.

(*b*) See Story, 771.

(*c*) 1 Wh. & Tu., 865.

(*d*) 1 Wh. & Tu., 874.

though the legacies are not strictly by the same instrument, yet they are so connected and incorporated, the one with the other, as substantially to amount to one instrument. Thus, where a testator executed at the same time two codicils, giving to the same person legacies of precisely the same amount, they were considered as being in substance both in one instrument, and were therefore deemed substitutional and not cumulative (*e*). Where, however, the legacies, though given by the same, or substantially the same, instrument, are of unequal amount, they will be deemed to be cumulative (*f*).

Reason why
legacies
cumulative
when by
different
instruments.

The reason for the thirdly above-mentioned rule is the probable intention that he who has given at different times must have meant more than one benefit (*g*); and this argument is strengthened when it appears that there is a variation as to the mode or time of payment of each legacy, though, indeed, it needs no strengthening. But, it will be noticed that this third rule is qualified by the statement that there may be internal evidence to the contrary. Thus, though the legacies are in different instruments, yet, if they are not given simply, but each is expressed to be for the same cause or motive, and each is identical in amount, the Court considers the two circumstances together, as constituting evidence that the legatee was not intended to take both, and the one will be deemed in substitution for the other (*h*). But, the Court will not take this view if, in either instrument, there is no motive expressed, or there is a different or additional motive expressed, although the sums are the same (*i*), nor, although the

(*e*) *Whyte v. Whyte*, L. R., 17 Eq., 50.

(*f*) *Curry v. Pile*, 2 Bro. C. C., 662.

(*g*) *Hooley v. Hatton*, 1 Wh. & Tu., 825.

(*h*) *Benyon v. Benyon*, 17 Ves., 34.

(*i*) *Rock v. Cullen*, 6 Hare, 531.

same motive be expressed, if the sums are different in amount (*k*).

With regard to the admissibility of extrinsic evidence to solve the question of whether legacies are meant to be cumulative or substitutional, the reader is reminded of what has been already stated as a general rule (*l*), viz.: that such evidence is always admitted for the purpose of merely rebutting a presumption of Equity, but not to rebut a written instrument. In all cases in which the written instruments show two distinct legacies, to allow extrinsic evidence to be given to prove that the legatee was only meant to have one of them, would be to contradict the instruments, and it is therefore not admitted. Thus, if one legacy is given by will, and another by codicil, so that primarily the legatee will get both, evidence cannot be given to show that the testator intended the legacy by the codicil, to be in substitution for that given by the will. But, where the presumption of Equity is to deprive the legatee of what, according to the instruments, he is to get, extrinsic evidence is admissible to rebut that presumption, for this is in effect to support the instruments. Thus, if two legacies of the same amount are given by the same instrument to a legatee, so that primarily he will by the Court's presumption only get one, evidence may be given to show that he was meant to have both, *e.g.*, instructions given by the testator on the making of his will, or letters written, or statements made by him (*m*).

When
extrinsic
evidence is
here admitted,
and when not.

We have now to consider when an act which is Performance.
not manifestly a performance of an obligation, is yet
so construed by the Court; in other words, the

(*k*) *Hurst v. Beach*, 5 Madd., 352.

(*l*) *Ante*, pp. 344, 345.

(*m*) 1 Wh. & Tu., 875.

doctrine of the Court known as Performance, in respect of which the rule of Equity is, that where a person has covenanted to do an act, and he does that which may reasonably be considered as either wholly or partially a performance of the covenant, he shall be presumed to have done such act with the intention of it so operating.

Lechmere v.
Lechmere.

The case of *Lechmere v. Lechmere* (n) furnishes a good illustration of this doctrine. There, a husband on his marriage covenanted to lay out £30,000, within one year of his marriage, in the purchase of fee simple lands in possession, with the consent of trustees, such lands, when bought, to be settled upon certain trusts, under which the settlor's heir ultimately became entitled. He then bought certain fee simple lands in possession, but not within the year, and neither to the required amount, nor with the consent of the trustees, and shortly afterwards died intestate. The heir contended that what had been done was no performance at all of the covenant, which remained entirely unfulfilled, and that he was entitled (1) to the fee simple lands which had been bought, and (2) to have the entire £30,000 now laid out for his benefit in the purchase of lands, which would come to him under the settlement. The administratrix, however, contended that the fee simple lands which had been bought, and which descended to the heir, were a part performance of the covenant. The Court decided in her favour, acting on the principle of the presumed intention of the deceased, who, knowing of his covenant, bought lands of the description provided for by it; and though it was true that the purchase was not within the year, and neither was it to the required amount, nor with the consent of the trustees, yet these circumstances of difference did not hinder the presumed intention.

(n) 2 Wh. & Tu., 399.

Certainly the strict observance of the time for purchase was not of the essence of the covenant, and as to the consent of the trustees, that might, on ordinary principles of ratification, have been given afterwards. It was, therefore, ordered that an account should be taken of what fee simple lands in possession were purchased after the covenant, and the amount paid for the same; and that the amount so appearing to have been expended should be taken in part performance of the covenant, and that the residue then remaining to make up the £30,000 should be paid out of the personal estate, the heir thus only taking the difference, and the lands which had been purchased.

Many instances might be given of the application of the doctrine of performance, by the Court, in similar cases (o); but *Lechmere v. Lechmere* is a peculiarly good example, because there were there some differences between the obligation, and what in fact was done, and it, therefore, strongly illustrates the maxim, "Equity imputes an intention to fulfil an obligation" (p), which maxim, it must be remembered, is the foundation both of the doctrine of Satisfaction and the doctrine of Performance (q). The doctrine has also been extended to a case where the covenant was to pay money to trustees, to be laid out by them in the purchase of land, and the covenantor paid over no money, but himself bought land and died intestate; it was held that the land bought by him would pass to the trustees (r).

Remarks on
Lechmere v.
Lechmere, and
an extension
of it.

But, if there are great differences, between the thing covenanted to be done, and the thing done,

When acts
not deemed to
be a perform-
ance.

(o) See *Wilcocks v. Wilcocks*, 2 Vern., 558; *Deacon v. Smith*, 3 Atk., 323.

(p) See *ante*, p. 18.

(q) *Ante*, p. 334.

(r) *Snowden v. Snowden*, 3 P. Wms., 228.

or if it is manifestly impossible to consider that a particular thing could have been intended to be a performance, then the doctrine will not apply. The case of *Lechmere v. Lechmere* will here again serve, as two points were decided there beyond what has been mentioned, viz., firstly, that under the covenant in question reversionary estates in fee simple, purchased since the covenant had been entered into, could not go in performance of the covenant, for that was to buy and settle fee simple lands in possession; and, secondly, that certain purchases of fee simple land in possession, made before entering into the covenant, could not be considered as a performance, as it was impossible that they could have been so intended, the obligation not having been then created. And, generally, it cannot be presumed that property, of a different nature from that covenanted to be purchased, was acquired, and meant to operate, as a performance, *e.g.*, where the covenant is to buy and settle freeholds, and leaseholds are then purchased; or where the covenant is to buy and settle lands of inheritance to be settled without impeachment of waste, and copyholds are then purchased, for copyholds could not be thus settled without impeachment of waste (s). Where, however, the covenant is simply to purchase and settle lands, then copyholds, subsequently bought, will be a performance (t).

Purchasing
land under
covenant,
and then
mortgaging it.

Where a person, who has entered into a covenant to purchase and settle lands, subsequently buys lands under circumstances which make such purchase a performance, or part performance, of the covenant, and then he executes a mortgage of them instead of proceeding to settle them as he should have done, the mortgagee will gain a good title if he took:

(s) *Pennell v. Hallett*, Amb., 106.

(t) *Wilkes v. Wilkes*, 5 Vin., Abr., 293.

without notice of the unperformed covenant; but if he took with notice, it is doubtful whether this will be so (*u*). And it has been held that, if the mortgagee does obtain a good title, the land subject to the mortgage—that is, the equity of redemption—will still go under the covenant (*w*).

Cases of performance may also arise from the merely quiescent act of the death, intestate, of the person on whom an obligation rests. The rule on this point is substantially laid down by the leading case of *Blandy v. Widmore* (*x*), viz., that if a person covenants to leave, or that his executors shall pay to another, a sum of money, or part of his personal estate, then if such person dies intestate, and the person for whose benefit the covenant was made becomes, under the Statute of Distributions, entitled to a portion of the covenantor's personal estate, of equal or greater amount, such distributive share will be a performance of the covenant, and he cannot claim both. In this case a person had covenanted to leave his wife £625 by will. He died intestate, but his widow's share, under the Statute of Distributions, exceeded £625. She contended that she was entitled to the sum agreed to be left to her, and also to her distributive share. The Court, however, decided that she could only claim to be paid her distributive share, upon the principle that the covenantor, knowing of his covenant, meant to perform it by means of the share his widow must receive under the Statute of Distributions. If, in any such case, the distributive share is less than the sum covenanted to be left, the same principle will apply, and it will be taken to be a part performance (*y*).

Performance
by death
intestate.

Blandy v.
Widmore.

(*u*) *Deacon v. Smith*, 3 Atk., 327; *Ex parte Poole*, 11 Jur., 1035.

(*w*) *Ex parte Poole*, *supra*.

(*x*) 2 Wh. & Tu., 407.

(*y*) *Garthshore v. Chalie*, 10 Ves., 14.

*Oliver v.
Brickland.*

But this principle does not apply where an actual debt is created in the lifetime of the covenantor. Thus, where a husband covenanted to pay his wife a certain sum of money within two years, and he lived more than two years, but did not pay the money, and died intestate, it was held that his widow was entitled to the amount covenanted to be paid, and also to her distributive share (z). Nor does the principle apply where the covenant is not to pay a definite sum, but only to give a life interest, *e.g.*, an annuity. Thus, where a man covenanted to leave his wife the interest on a certain fund, and he died intestate, it was held she was entitled to the life interest, and to her distributive share (a).

(z) *Oliver v. Brickland*, 3 Atk., 420.

(a) *Couch v. Stratton*, 4 Ves., 391.

CHAPTER III.

CONVERSION AND RECONVERSION.

CONVERSION may be defined as an implied, or constructive, change of property from real to personal, or from personal to real, so that each is considered transferable, transmissible, and descendible, according to its new character (*b*). Reconversion may be defined as that notional or imaginary process, whereby a prior implied, or constructive, conversion is annulled (*c*).

Definition of
Conversion.

Definition of
Reconversion.

The equitable doctrine of conversion arises as a natural consequence of the maxim, "Equity looks upon that as done which ought to be done" (*d*) ; for if a man agrees to sell his land, or to invest his money in land, then that property which he is possessed of, be it land or money, changes, as it were by magic, and the Court says that it must at once be deemed as of the nature into which he has agreed to change it. So, if it is not a matter of contract, but of direction in a deed or will, the same result ensues, and land directed to be sold is at once considered as money, and money directed to be invested in land is immediately deemed to be land. This equitable doctrine is not opposed to common sense, but is rather in accordance with it. The equitable doctrine of reconversion is even more so, it simply meaning that where there is, by reason of a direction, a constructive conversion, and the property, the subject of the conversion, belongs absolutely to a person, that person may elect to either take the property as thus constructively converted, or he may

General
explanation of
the two
doctrines.

(*b*) Story, 837.

(*c*) Snell's Equity, 195.

(*d*) *Ante*, p. 17.

Example
showing both
doctrines.

say he desires no conversion, and by this election, as by the stroke of a conjuror's wand, the doctrine of the Court vanishes, and the property goes as it actually is, for it has been said "Equity, like nature, will do nothing in vain" (e), and, whatever we may think of that as a general axiom, it serves our purpose here. To instance the two doctrines, let us take the following simple case:—A, by his will, directs a freehold estate to be sold, and the proceeds paid to B. A dies, and this benefit B takes, is considered as money though the estate is still existing, and, were B now to die intestate, this property would go to his next-of-kin, for there is a constructive conversion by reason of the direction in A's will. But if B directs the trustees not to sell the estate, as he, being entitled to the whole proceeds, prefers and intends to take it as it stands, and then he dies intestate, this property will go to his heir, for here there has been reconversion—in the words of the definition given above, a notional process has taken place, which has annulled the prior constructive conversion.

How conver-
sion may
occur.

*Fletcher v.
Ashburner.*

Conversion may occur either (1) by force of contract, (2) by a direction contained in a deed or will, or (3) by reason of an order of the Court. This conversion may either be of land into money, or money into land, and this is well expressed in the leading case of *Fletcher v. Ashburner* (f), as follows:—"Money directed to be employed in the purchase of land, and land directed to be sold and turned into money, are to be considered as that species of property into which they are directed to be converted, and this in whatever manner the direction is given, whether by will, by way of contract, marriage articles, settlement, or otherwise."

(e) Lord Cowper in *Seeley v. Jago*, 1 P. Wms., 389.

(f) 1 Wh. & Tu., 327.

The effect of conversion by contract is well shown in the case of a devise of an estate, and then an agreement to sell it, and the death of the testator before conveyance; here the devisee gets nothing, for had the estate been actually conveyed away he could have got nothing, and Equity considers it as conveyed. The contract to sell, in effect, revokes the prior devise, and the devisee will not get the purchase-money as standing in the place of the estate, but that will go to the residuary legatee, or next-of-kin, as the case may be. Again, if a man agrees to buy freehold land, and dies before it is conveyed to him, yet the land will go to his residuary devisee, or his heir, as the case may be; and formerly such residuary devisee or heir would have been entitled to have the purchase-money paid out of the general personal estate, but this is no longer so, and the heir or devisee takes the property subject to the payment of the purchase-money, or the balance thereof (*g*).

Conversion
by reason of
contract.

An abortive contract, or one which cannot be enforced in Equity, will not effect a conversion; thus, if a trustee enters into a contract for the purchase of the trust property under circumstances when the Court would not permit him to purchase (*h*), such a contract will not be considered as changing the money into realty (*i*). And where a testator, after making his will, entered into a contract for the sale of his freehold property, and died before completion, and then his trustees, finding that a title could only be made to a portion of the property, rescinded the contract under the usual clause in the conditions of sale, it was held that there was no conversion effected by the contract the testator had entered

No conversion
by abortive or
unenforceable
contract.

(*g*) 30 & 31 Vict., c. 69; 40 & 41 Vict., c. 34, and see *ante*, p. 146.

(*h*) As to a trustee purchasing of his *cestui que trust*, see *ante*, p. 95.

(*i*) See *Ingle v. Richards*, 28 Beav., 361.

into; so that when the property was afterwards resold by the trustees, and there was a surplus after carrying out certain directions in the will, it was held that such surplus—there being no residuary devise—went to the testator's heir-at-law (*k*).

Conversion
under the
Lands Clauses
Act, 1845.

A notice to treat given to the owner of lands in fee simple, by a railway company, or other body having compulsory powers to purchase lands, is not sufficiently a contract to operate as a conversion of the land into money (*l*); but when subsequently the price is fixed, whether by arrangement, arbitration, or by a jury, then there is a complete contract, and conversion takes place (*m*). If money is paid into Court under the Lands Clauses Consolidation Act, 1845 (*n*), when the parties are competent to convey, such money is at once treated, and devolves, as personality (*o*), but if the parties are under disability (*p*), it is then, whilst the disability continues, treated, and devolves, as realty (*q*).

Effect of
giving an
option to
purchase.

When a person has given to him an option of purchasing property, and he exercises that option, this constitutes a contract so as to cause conversion (*r*). The option to purchase is substantially an offer, and when the person exercises the option, then there is, in fact, an acceptance, and the offer and acceptance together constitute a contract, making the position the same as if there had been a direct contract for sale and purchase in the first instance. Thus, A makes a lease of a freehold house to B for

(*k*) *Re Thomas, Thomas v. Howell*, 34 Ch. D., 166; 56 L. J., Ch., 9; 55 L. T., 629.

(*l*) *Haynes v. Haynes*, 1 Dr. & Sim., 426.

(*m*) *Ex parte Hawkins*, 13 Sim., 569; *Harding v. Metropolitan Railway Company*, L. R., 7 Ch. Apps., 154; 41 L. J., Ch., 371.

(*n*) 8 & 9 Vict., c. 18, sec. 78.

(*o*) *Re Tugwell*, 27 Ch. D., 309; 53 L. J., Ch., 1006; 51 L. T., 83.

(*p*) 8 & 9 Vict., c. 18, sec. 69.

(*q*) *Kelland v. Fulford*, 6 Ch. D., 491.

(*r*) *Lawes v. Bennett*, 1 Cox, 167.

seven years, giving him by the lease an option of purchasing the property at a certain price during the term. It may be that B never exercises his option, and then it is only, as it were, an offer made and not accepted; but if B during the term exercises his option, then there is a contract. It has been argued that, when the option is exercised, a contract is constituted as from the date of the instrument conferring the option, but it is now decided that, in such a case, there is only a contract, as regards the rights of the vendor and purchaser as against each other, from the date of the exercise of the option (*s*). Thus, in the instance just given, suppose A has insured the house for £2,000, and it is burnt down, and then B exercises his option to purchase, B will not be entitled to claim that the money coming from the policy should be taken as part payment of his purchase-money. But this rule as to what shall be deemed the date of the contract produced by the exercise of the option, does not apply as regards the rights of the real and personal representatives of the person who has conferred the option; for, to determine their rights, the exercise of the option is deemed to have a retrospective operation back to the date of the instrument giving the option (*t*). Thus, to keep to the instance given, suppose A dies intestate, and then B exercises his option, there is now the question, does the purchase-money go to A's heir or to his next-of-kin? It was realty at A's death, but now by the exercise of the option it has been converted, and, for the purpose of determining the devolution, the position is considered to be the same as if there had been an actual contract to sell during A's lifetime, that is, at the date of the lease; and, therefore, the purchase-money goes to the next-of-kin. But, although this

From what date there is a contract when option to purchase exercised.

(*s*) *Edwards v. West*, 7 Ch. D., 858; 47 L. J., Ch., 463.

(*t*) *Lawes v. Bennett*, 1 Cox., 167; *Edwards v. West*, *supra*.

is technically the position, it has been decided that until B exercises his option, A's heir will take the rent of the house (*u*).

Three results or rules to be observed hereon.

Upon this subject three results or rules may be observed, which are chiefly to be gathered from what has been stated.

1. Option to purchase, and intestacy or general devise.

Firstly. Where freehold property is subjected by the owner to an option to purchase, and such owner then dies intestate, or dies having either previously, or subsequently, devised all his realty to one person, and bequeathed all his personalty to another, the question whether the property will go to the heir in the one case, or the devisee in the other case, depends entirely upon whether the option is exercised or not. If never exercised, the heir will take in the one case, and the devisee in the other. If it is exercised, then the money will go to the next-of-kin in the one case, and to the legatee in the other (*w*); and this is so even although the lessee has no right or option to purchase until after the lessor's death (*x*). But though the option is exercised, until such exercise the rents and profits of the property will go to the heir in the one case, and to the devisee in the other (*y*).

Lawes v. Bennett.

2. Specific devise and then option to purchase.

Secondly. If a testator specifically devises freehold property to a person, and afterwards subjects it to an option to purchase, and then dies, whether the devisee takes depends entirely upon whether the option is exercised or not. If not exercised, the devisee will get the property; if exercised, he will

(*u*) *Townley v. Bedwell*, 14 Ves., 591.

(*w*) *Lawes v. Bennett*, 1 Cox, 167; *Collingwood v. Rowe*, 5 W. R., 484; *Townley v. Bedwell*, *supra*.

(*x*) *Re Isaacs*, *Isaacs v. Reginald* (1894), 3 Ch., 506; 63 L. J., Ch., 815; 71 L. T., 386.

(*y*) *Lawes v. Bennett*, *supra*.

not. But though the option is exercised, until such exercise he will get the rents and profits (z).

Thirdly. But if a person subjects freehold property to an option to purchase, and then specifically devises it, the devisee must get either the property or the purchase-money, for the property being named, and being already subjected to the option, the testator must have meant to pass to the specific devisee either the estate, or what will represent it (a). In a recent case this doctrine seems to have been somewhat extended. A testator devised certain real estate specifically, and subsequently made a codicil confirming his will, but not in terms referring to the specific devise, and he also on the same day (but whether before or after the execution of the codicil did not appear), executed a lease of the real estate so devised, giving the lessee an option to purchase the same. The option was exercised after the testator's death, and it was held that there was sufficient indication of intention on the part of the testator that he meant the devisee to take the property, or the proceeds thereof, and that the specific devisee thereof was entitled to the proceeds (b).

3 Option to purchase and then specific devise.

Drant v. Vause.

Pyle v. Pyle.

It may occur to the reader with reference to the 1st and 2nd results given above, that the best thing the heir or devisee could do, would be to arrange with the person having the option, that he should not exercise it. This was suggested in argument in one case (c), but the Court expressed an opinion that if such a thing appeared to have been done collusively, to oust the next-of-kin or legatee, the Court would

As to arranging with person having the option.

(z) *Weeding v. Weeding*, 1 J. & H., 424.

(a) *Drant v. Vause*, 1 Y. & C. C. C., 580; *Emuss v. Smith*, 1 De G. & Sm., 722.

(b) *Re Pyle*, *Pyle v. Pyle* (1895), 1 Ch., 724; 64 L. J., Ch., 477; 72 L. T., 327.

(c) *Larves v. Bennett*, 1 Cox, 167.

relieve. There does not, however, appear to be any express decision on the point.

Conversion by
direction.

With regard to conversion by direction—whether contained in a deed or a will—for a direction to have that effect, it must be express and imperative, for, if merely optional, the property will be considered as real or personal, according to the actual condition in which it is found at the time when the question of its devolution arises. Thus, where the direction is to invest certain moneys either in the purchase of consols, or of freehold land, no conversion will ordinarily take place by reason of this direction, unless and until the trustees actually exercise their discretion, by investing in land. The property will in fact devolve according to the investment chosen (*d*). In all cases where there is merely a discretion or power to convert, as distinguished from an absolute direction or trust, no conversion takes place until the discretion is exercised (*e*); and where words requiring the request or consent of parties to a sale of land, or investment of money in land, are inserted for the purpose of giving a discretion to them, if the sale or investment takes place without their request or consent, the property will still be considered as remaining in its original state (*f*).

Time from
which
conversion
takes place.

In cases of direction to convert, there is an important difference with regard to the time from which conversion takes place, according to whether the direction is contained in a will or in a deed. In the case of a direction contained in a will, following out the rule that a will speaks from the date of the testator's death, a constructive conversion

(*d*) 1 Wh. & Tu., 989.

(*e*) *Walter v. Maude*, 19 Ves., 424; *Atwell v. Atwell*, L. R., 13 Eq., 23.

(*f*) *Davies v. Goodhew*, 6 Sim., 685.

takes place only from that period (*g*), but in the case of a direction contained in a deed, a constructive conversion takes place from the date of the deed, even though the sale or investment is directed to be made at a future date (*h*). Thus, if a settlement of real estate is made, under which the property is vested in trustees in trust to sell after the settlor's death, there is nevertheless a constructive conversion from the date of the deed, so that should certain of the trusts fail, the next-of-kin of the settlor will take, and not the heir; for though at the settlor's death the property was land, it was, as between the heir and the next-of-kin, impressed with the character of personalty from the moment the deed was executed (*i*).

Griffiths v. Ricketts.

Where, under a mortgage of freeholds, a sale takes place during the lifetime of the mortgagor, of course, any surplus belongs to his personal representatives; but if the sale does not take place until after the mortgagor's death, the equity of redemption having at once descended to the heir, if a sale takes place the heir is entitled to any surplus (*k*).

Who is entitled to surplus of mortgaged property after death of mortgagor.

Beyond the instances that have already been given, other results of the doctrine of conversion may well be noticed. Thus, if money is directed to be converted into land, then, though the death of the person for whose benefit the conversion is directed occurs before the actual investment is made, yet the money will be subject to either curtesy, or dower, as the case may be (*l*). Again, money agreed or directed to be laid out in the purchase of land, will pass under a general devise of all the lands of the

Curtsey and dower.

Money passing under general devise.

(*g*) *Beauclerk v. Mead*, 2 Atk., 167.

(*h*) *Griffiths v. Ricketts*, 7 Hare, 311.

(*i*) *Griffiths v. Ricketts*, *supra*; *Clarke v. Franklin*, 4 K. & J., 257.

(*k*) *Bourne v. Bourne*, 2 Hare, 35.

(*l*) *Sweetapple v. Bindon*, 2 Vern., 536; 1 Wh. & Tu., 977.

person entitled thereto (*m*); and conversely where land is agreed or directed to be sold, it will not pass under a general devise of land, but will go to the residuary legatee (*n*).

Failure of
objects for
which
conversion
directed.

Ackroyd v.
Smithson.

Every conversion by direction is for the purpose of accomplishing some object, and before there has been an actual conversion, there may be either a total or a partial failure of the object. The former case is simple, the position being merely that the direction to convert immediately ceases to have any effect, and that the property will devolve as it is (*o*). But where the failure is only partial, the matter is not so simple. The leading case upon this point is *Ackroyd v. Smithson* (*p*). There, the testator by his will, gave several legacies, and directed his real and personal estate to be sold, and, after payment thereof of his debts and legacies, he gave the residue of the fund to certain persons, two of whom died in his lifetime. Here, then, was a lapse of these two shares, and this action was brought by the testator's personal representatives, claiming these lapsed shares, and the question was whether such shares—being originally composed partly of realty and partly of personalty—belonged to the next-of-kin of the testator, or whether the part originally composed of real estate still retained that quality, so as to descend to the testator's heir-at-law. It was held that so far as the shares originally consisted of personal estate, they went to the next-of-kin, but so far as they originally consisted of real estate, they went to the heir-at-law.

Reason of
Ackroyd v.
Smithson.

The reason of this decision is, no doubt, to be found mainly in the idea of carrying out the intention

(*m*) *Greenhill v. Greenhill*, 2 Vern., 679.

(*n*) *Stead v. Newdigate*, 2 Mer., 521.

(*o*) See *Clarke v. Franklin*, 4 K. & J., 257.

(*p*) 1 Wh. & Tu., 372.

of the testator. Certainly, it was the testator's design to convert his real estate into personal estate, out and out, for the purposes of the will—that is, for the benefit of the residuary legatees—and there was a complete conversion as regarded them; but when certain of the persons could not take, and the property must therefore go to someone else, it was impossible to infer a similar intention to convert in favour of the next-of-kin, whom the testator never had in contemplation. An event, in fact, happened that was never in the testator's mind. There was no direction to convert for the benefit of any persons other than those named in the will, and therefore it appears a logical consequence to say that, any of the objects failing, the property must go to the persons who would have taken in the event of a simple intestacy.

Ackroyd v. Smithson is a decision only upon the point of partial failure, and a consequent resulting trust in the case of land to be converted into money; but it has been decided that the same principle applies in the case of money directed to be laid out in the purchase of real estate, so that the undisposed of interest in the money, or the estate, if purchased with the money, will result for the benefit of the testator's next-of-kin, and not go to his heir-at-law (q).

The same principle applies to cases of money to be laid out in land.

Cogan v. Stevens.

A distinction which has been already somewhat referred to in dealing with the point of the date from which a conversion takes place (r), must be carefully observed in the application of the principle of *Ackroyd v. Smithson*, to conversions directed by deed, and by will, respectively. As regards wills, there the resulting trust is either to the heir, or

Distinction in application of the principle according to whether the conversion is directed by deed or will.

(q) *Cogan v. Stevens*, 1 Beav., 482.

(r) See *ante*, pp. 366, 367.

next-of-kin according to the nature of the property at the time of the testator's death. As regards deeds, however, bearing in mind what has been stated (s), viz., that the deed operates from the moment of execution, the resulting trust in case of failure of the objects, or any of them, is to neither heir-at-law or next-of-kin, but to the settlor himself. If the objects wholly fail there is no conversion, and the property results to the settlor in the actual state in which it was, but if the objects only partially fail, then the property is immediately impressed with that character into which it is directed to be changed, and results to the settlor in that changed state (t).

The question as to the quality in which property results on failure of objects for which conversion directed.

Where the conversion which fails is directed by will, so that the property results, according to its nature at the time of the testator's death, either to the heir-at-law, or next-of-kin, the further question then arises, how does the person to whom it results take it, so that were he then in his turn to die immediately, would it in his hands be realty or personalty? Thus, a testator has directed a conversion of Whiteacre for objects which fail, and Whiteacre results to A, who is the testator's heir-at-law, and naturally it is realty, and were he to die it would devolve as such. That is manifest. But suppose only some of the objects fail, and the result, therefore, ultimately is, that a sum of cash, being part of the proceeds of the sale of Whiteacre results to A, and A has died either before the sale, or after the sale, but before the proceeds have been paid over to him, does the amount go to his heir-at-law, or to his next-of-kin? Or, to take the converse position, suppose a testator directs £10,000 to be invested in the purchase of land for certain objects which wholly fail, here, no investment

(s) See *ante* p. 366.

(t) 1 Wh. & Tu., 382; and see *ante*, p. 367.

having been made, it is manifest that the £10,000, resulting say, to B, who is testator's sole next-of-kin, must be personalty in B's hands, and devolve as such. But suppose some only of the objects fail, and the investment has been made, and the result is, that a portion of the land results to B, and B has died either before the investment was made, or after it has been made, does it go to B's heir-at-law or next-of-kin? The following rules will meet the various cases :—

1. If land is directed to be converted into money Rule 1.

for a purpose which wholly fails, so that the land is not sold, or ought not to have been sold, then the heir to whom the land—or, if sold, the proceeds thereof—results, takes it as real estate, and it will devolve accordingly, unless indeed, the cash has actually been paid over to him (*u*). Thus, Whiteacre is devised to trustees upon trust to sell and pay the proceeds to B. B predeceases the testator, and there being no residuary devise in the will, the testator's heir-at-law, C, takes Whiteacre. Suppose, however, that the trustees, not knowing of B's death, sell Whiteacre, and then whilst the money is still in their hands, C, the heir-at-law, dies intestate, the money, the proceeds of Whiteacre, will still go, as Whiteacre would have gone, to C's heir-at-law.

Illustration.

2. If land is directed to be converted into money Rule 2.

for a purpose which only partially fails, so that it is necessary to sell the land, here the surplus will belong to the heir as money, and devolve as part of his personal estate, and this even though the sale is not made until after the heir's death (*w*). Thus, Whiteacre

Smith v. Claxton.

Illustration.

(*u*) *Chitty v. Parker*, 2 Ves., Jr., 271; *Davenport v. Coltman*, 12 Sim., 610.

(*w*) *Smith v. Claxton*, 4 Madd., 484; *Re Richerson*, *Scales v. Heyhoc* (1892), 1 Ch., 379; 61 L. J., Ch., 202; 66 L. T., 174.

is devised to trustees upon trust to sell and pay the proceeds to A and B. B has predeceased the testator, so that there is a lapse of his share. The trustees sell, and Whiteacre realizes £4,000, of which A takes £2,000, and C, the heir-at-law of the testator—there being no residuary gift in the will—takes £2,000. But, suppose now, C in his turn dies intestate, either before, or after, the trustees have sold Whiteacre, C's £2,000 will go to his next-of-kin.

Rule 3.

3. If money is directed to be converted into land for a purpose which wholly fails, so that the investment is not made, then the next-of-kin, of course, take the money as personalty. Thus, suppose a testator gives £4,000 to trustees in trust to buy a freehold estate for the benefit of A. A predeceases the testator, so that there is a lapse. There is no residuary gift in the will, and X and Y, the next-of-kin of the testator, take. Suppose, however, X dies intestate shortly after the testator's death, naturally X's share of the money goes in due course to his next-of-kin.

Illustration.

Rule 4.

4. If money is directed to be converted into land for a purpose which either wholly or partly fails, and the investment is actually made, so that it is land which results to the next-of-kin, they will take it as real estate, so that it will devolve as part of the real estate of that person to whom it has come as next-of-kin (x). This, of course, in the case of the purpose wholly failing, is a different result to what is found, as is stated in Rule 1, in the case of land directed to be sold for a purpose which wholly fails, but which, in fact, is sold, though it ought not to have been. Thus, a testator bequeaths £4,000 to trustees in trust to buy a freehold estate for the benefit of A, who, however, has predeceased the

Curtis v. Wormald.

Illustration.

(x) *Curtis v. Wormald*, 10 Ch. D., 172, overruling *Reynolds v. Godlee*, Johns, 536.

testator, so that there is a lapse. Suppose that the trustees, not knowing of A's death, buy a freehold estate with the £4,000, still this freehold estate will, in due course, go to X and Y, who were the testator's next-of-kin at the time of his death; but suppose that X has since died, whether before or since the investment was made, his share in the real estate will go to his heir-at-law, and not to his next-of-kin.

Returning again to the direct decision in *Ackroyd v. Smithson*, it will be observed that all that was really decided in that case was, that a conversion directed by a testator is a conversion only for the purposes of the will, and that all that is not wanted for those purposes, must go to the person who would have been entitled but for the will (y). And it has been held that if a conversion has been rightfully made, whether by the Court or a trustee, all the consequences of a conversion must follow if there is no Equity in favour of any person to produce a different result (z). Thus, in the case just referred to, in an administration suit the Court considered it beneficial to sell freehold property to which an infant was entitled, which was accordingly done, and the purchase-money was paid into Court, and carried to the infant's separate account. The infant died without having attained twenty-one, and it was held that the fund belonged to his personal representatives, and was not to be treated as realty. And it is presumed that the position would be the same if it were not a sale by the Court, but by trustees in the proper exercise of a discretion vested in them, or by a guardian, if justified under the circumstances

What *Ackroyd v. Smithson* really decided.

Conversion by order of the Court.

Steed v. Preece.

(y) Per Sir G. Jessel, M.R., in *Steed v. Preece*, L. R., 18 Eq., 192; 43 L. J., Ch., 687.

(z) *Steed v. Preece*, *supra*; Brett's Eq. Cas., 127. As to what will constitute such an equity as mentioned above, see *Foster v. Foster*, 1 Ch. D., 588; 45 L. J., Ch., 301; *post*, p. 374.

Guardian
cannot
ordinarily
effect
conversion.

in selling. However, as to a guardian, he will not generally be permitted to change the character of his ward's property, and thus affect the rights of the ward's real and personal representatives, but there may be peculiar circumstances justifying it, as where it is manifestly for the ward's benefit (a).

Conversion
takes place
from date of
order.

*Hyett v.
Mekin.*

Where in an action for administration, the Court in the exercise of its jurisdiction, makes an order for the sale of real estate, it has been decided that the order effects an immediate conversion from its date, and before any sale under it has actually taken place (b).

Equity to
prevent effect
of conversion.

It has already been stated, as a general rule, that where a conversion has been rightfully made, either by the Court, or by a trustee, all the consequences of a conversion must follow, if there be no equity in favour of any person to produce a different result. As an instance of such an equity may be mentioned the case of a partition suit affecting real estate, in which the property is sold under the order of the Court, and to which a person under disability, *e.g.*, an infant, is entitled to a share. Here, if the order for a sale is not founded on the infant's interest, but is made for general convenience, and the infant then dies, the heir will take his or her share, and not the next-of kin (c); and this is so even although the infant has joined with other persons interested, in requesting a sale (d). The reason is because the

Sale in a
partition suit.

(a) See *Ex parte Phillips*, 19 Ves., 122; *Vernon v. Vernon*, cited 1 Ves., Jr., 456.

(b) *Hyett v. Mekin*, 25 Ch. D., 735; 53 L. J., Ch., 241.

(c) *Foster v. Foster*, 1 Ch. D., 588; 45 L. J., Ch., 301; *Mildmay v. Quicke*, 6 Ch. D., 553; 46 L. J., Ch., 667.

(d) *Norton v. Norton* (1900), 1 Ch., 101; 69 L. J., Ch., 31; 81 L. T., 724. If, however, the order for sale directs the infant's share to be paid out to trustees, who have a power of sale, then it is otherwise, for they are deemed to be technically persons absolutely entitled, and the proceeds of the sale will subsequently devolve as personalty. (*Re Morgan, Smith v. May* (1900), 2 Ch., 474; 69 L. J., Ch., 735; 48 W. R., 670.)

Partition Act, 1868 (*e*), creates an equity to effect a reconversion. And so when money is paid into Court under the Lands Clauses Consolidation Act, 1845 (*f*), that is to say, in cases where the parties are under disability, or are limited owners, the same result ensues, and the effect of conversion is prevented. As a further instance, it may be mentioned that under the Lunacy Act, 1890 (*g*), the judge in lunacy may order any property of a lunatic to be sold, mortgaged, dealt with, or otherwise disposed of, in order to raise money for any of the purposes therein mentioned; but it is provided that the moneys arising from any such sale, which are not applied for the purposes for which the sale was directed, are to belong to the lunatic for the same interest as he would have had if the sale, mortgage, or disposition had not been made, and will be real or personal estate according to the nature of the property so sold, mortgaged, or otherwise dealt with (*h*). This provision, however, only applies where property is sold for some of the purposes mentioned in the Act, and has no application when a sale takes place for other reasons or purposes, for there the ordinary effects of conversion takes place. Thus, in a recent case (*i*), by an order in lunacy certain timber on a freehold estate was directed to be sold, and it was sold accordingly, and the money paid into Court. Both the tenant for life and the remainderman were lunatics, and the question was whether the proceeds of the sale of the timber belonged to the heir-at-law

Sale under
Lunacy Act,
1890.

*Hartley v.
Pendarves.*

(*e*) 31 & 32 Vict., c. 40, sec. 8, which provides that secs. 23-25 of the now repealed Leases and Sales of Settled Estates Act (19 & 20 Vict., c. 120) shall apply to moneys received on sales under that Act; and these provisions must be understood as saying that the purchase-money is to be laid out in land to be settled to the same uses. See *Foster v. Foster*, 1 Ch. D., 588; *Mildmay v. Quicke*, 1 Ch. D., 553.

(*f*) 8 & 9 Vict., c. 18, sec. 69.

(*g*) 53 Vict., c. 5, sec. 117.

(*h*) Sec 123.

(*i*) *Hartley v. Pendarves* (1901), 2 Ch., 498; 69 L. J., Ch., 745; 85 L. T., 64.

or the next-of-kin of the remainderman. It was held that there having been an order of the Court there was a conversion, and that the next-of-kin were entitled to the money.

Practice of the Court where an order would effect conversion.

Finally, in connection with the matter just dealt with, it should be noticed that in those cases in which a conversion would be effected by an order of the Court, it is open to the Court, by a direction in its order, to prevent such a result; and it appears to be the practice of the Court usually to give such a direction. The following remarks of an eminent judge will serve to place the matter plainly before the reader:—"There is no law that I am aware of which says that the Court is bound to preserve an infant's estate as realty during infancy; therefore if the Court thinks it for the benefit of the infant to sell his estate, it has no hesitation in making an order for sale, and the estate then becomes converted into personalty. And the effect is the same in the case of a purchase. It is, however, the practice of the Court to provide against the consequence of conversion, because it is considered right to do so. The practice in Chancery is to declare the estate purchased out of the infant's money, subject to a charge in favour of his personal estate. That is the practice, but there is no law which obliges the Court to do so" (*k*).

Reconversion. The doctrine of Reconversion has already been somewhat explained (*l*). Any person absolutely entitled to the property in question can reconvert, provided he is solely interested therein, and is *sui juris*. If not *sui juris*, then the position is generally the same as has been explained with regard to the

(*k*) Per Jessel, M.R., in *Wallace v. Greenwood*, 50 L. J., Ch., at p. 291.

(*l*) See *ante*, p. 359.

doctrine of election (*m*). If the person desiring to reconvert is not solely interested, then there is a distinction to be observed according to whether it is money directed to be converted into land, or land directed to be converted into money. If money is directed to be invested in land for the benefit of two or more persons, any one or more of them may elect to take his or their share of the money, for it is evident that no injustice will be done to the other or others thereby, as the residue must produce at least quite as advantageous a property as if the whole had been invested, and then divided between the parties (*n*). But if land is directed to be sold for the benefit of two or more persons, one or more of them cannot effect a reconversion without the consent of the other or others, for to allow this might be injurious to the other or others, in compelling an undivided share or shares, to be sold, which, probably, would not produce so much as if the entire estate were sold and the proceeds divided (*o*).

Position where two or more interested.

Seeley v. Jago.

Holloway v. Radcliffe.

As to what will amount to a reconversion, not only may it be made in express terms, but a reconversion may be presumed from circumstances. If money is directed to be invested in land for the benefit of a person, who, instead of requiring the investment to be made, receives the money from the trustees, this is conclusive (*p*). If real estate is directed to be sold for the benefit of a person, slight circumstances in the dealing with the property will be sufficient to raise the presumption of a reconversion, though that presumption is liable to be rebutted. Thus, if the person entitled makes a lease of the land (*q*), or goes

What will amount to a reconversion.

Acts showing an intention to reconvert.

(*m*) See *ante*, pp. 331, 332.

(*n*) *Seeley v. Jago*, 1 P. Wms., 389.

(*o*) *Holloway v. Radcliffe*, 23 Beav., 163; *Re Davidson*, 11 Ch. D., 341.

(*p*) *Wheldale v. Partridge*, 8 Ves., 235.

(*q*) *Crabtree v. Bramble*, 3 Atk., 680.

into and remains in possession for a considerable time without attempting to sell (r), or generally deals with the property as land, *e.g.*, by mortgaging it, all these would be circumstances from which reconversion would be presumed.

Reconversion
by operation
of law.

In addition to a reconversion taking place by the party's act, it may sometimes arise by construction of the Court, or as it is said, by operation of law. Where a person has an obligation cast upon him to convert property for certain purposes, which include a benefit to himself, and, before he makes the conversion, the objects fail, so that he is solely interested, and there is no one existing who can compel the conversion to be made, then, as the obligation to convert, and the right to call for the property in question are both in him, the obligation, without any act on his part, will be considered as discharged, and the property will be deemed to be, and will devolve on his death, as in its actual state (s). Thus, if A covenants to invest £10,000 in land to be settled on his wife and children, with an ultimate limitation to himself absolutely, and his wife dies without issue, here he is solely interested. Suppose he, never having bought the land, then dies intestate, the question arises, will his heir be entitled to this £10,000 on the principle of conversion, or will it go to his next-of-kin? It will go to his next-of-kin. The money was at home in A's hands, and he had in himself the determination of its destination, and it is only fair to presume that he would have desired to discharge himself from his obligation, and, as he died silent on the point, the reasonable view to take is that he meant the money to devolve as money, and not as land.

*Chichester v.
Bickerstaffe.*

(r) *Dixon v. Gayfer*, 17 Beav., 433.

(s) *Chichester v. Bickerstaffe*, 2 Vern., 295; *Pulteney v. Darlington*, 1 Bro. C. C., 223; *Walrond v. Rosslyn*, 11 Ch. D., 640; 48 L. J., Ch., 602.

CHAPTER IV.

APPORTIONMENT AND CONTRIBUTION.

APPORTIONMENT and Contribution may be designated as synonymous terms, signifying a division of some benefit, or of some liability. The right to apportionment or contribution was, to some extent, recognised at Common Law, but the remedy was more usually sought in Equity; firstly, because it could be there obtained in some cases unrecognised at Common Law, and, secondly, because the practical course of procedure there, was more beneficial.

Explanation
of the
expressions.

Apportionment, or contribution, may be sought either in respect of some benefit, or of some liability. As to a benefit, if a premium was paid in respect of an apprentice or artied clerk, and the principal became bankrupt before the expiration of the apprenticeship or articles, the Court would decree a return of a portion of the premium. However, now the remedy would be in the bankruptcy, it being provided by the Bankruptcy Act, 1883 (t), that in such cases application may be made to the trustee of the bankrupt to return a portion of the premium paid, which he may do, his exercise of this discretion being subject to an appeal to the Court. But the Court has no jurisdiction to direct an apportionment of part of a premium by reason of the death of the principal before the expiration of the period of apprenticeship or articles, unless it is expressly provided for by the instrument, or the master is a member of a firm, and his partners have

Apportion-
ment of
benefits.

No apportion-
ment of
premium paid
on death of
principal.

(t) 46 & 47 Vict., c. 52, sec. 41.

participated in the premium, and refuse to continue the apprentice or artied clerk (*u*).

Apportioning
purchase-
money
between
tenant for
life and re-
mainderman.

A case of an apportionment of a benefit may sometimes arise with regard to the purchase-money of an estate sold, not by the tenant for life under his statutory powers, but, quite irrespective of them, by the tenant for life and the remainderman in fee simple together, without any agreement having been come to as to how the purchase-money is to be divided. In such a case the rule is that the value of the interest, or estate, of each party, is to be ascertained, calculating that of the tenant for life, according to the common tables respecting the probabilities of life, and then the fund is divided between them.

Apportion-
ment of
liabilities.

The power of the Court to direct or arrange apportionment or contribution of liabilities or burthens is more important, and, in most cases of this sort, there was no remedy at law by reason of the extreme uncertainty that must exist as to ascertaining the relative proportions which different persons had to pay, or if there was a remedy at law it was less beneficial than in equity. To illustrate this, suppose a person mortgages his estate for £10,000, and then sells the estate, subject to the mortgage, to six different purchasers in lots of unequal value. In such a case each purchaser is bound to contribute to the discharge of the common burthen or charge, in proportion to the value which his lot bears to the whole property included in the mortgage. To ascertain the proper proportion is a matter of great nicety and difficulty, and unless all the different purchasers are joined in a single action,

Illustration.

(*u*) *Whincup v. Hughes*, L. R., 6 C. P., 78; 40 L. J., C. P., 104; *Ferns v. Carr*, 28 Ch. D., 409; 54 L. J., Ch., 478; 52 L. T., 348. As to the position of a partner who has paid a premium to become a member of a firm, and dissolution then occurring, see Partnership Act, 1890, sec. 40; *ante*, p. 160.

as they could always be in equity, but not at law, serious embarrassments might arise in fixing each purchaser's proportion, and in making it conclusive against the others (*w*). And even now, since the Judicature Acts, it is evident the Chancery Division is the proper division of the Court in which to seek redress in such matters, it being a subject for inquiry in chambers.

To take another illustration of apportionment of a liability, in a recent case it appeared that a trustee had sold consols, and invested the proceeds, in breach of trust, upon an improper security, the amount of which, when realised, was insufficient to replace the capital, and pay the arrears of interest. It was held that there must be an apportionment of the sum realised, between capital and income, and that the tenant for life must, upon such apportionment, bring into account all sums received by him in respect of income on the improper investment, beyond what he would have received as dividends on the consols (*x*).

*Re Bird,
Dodd v.
Evans.*

If an estate is settled, and there is an incumbrance existing upon it, which is paid off by a person having only a limited interest in the estate, a difference sometimes exists as regards the result, according to the position of the person who makes the payment. If the payment off is made by a tenant-in-tail in possession, he being a person who can, by barring the entail, make himself the owner in fee simple, is presumed to have discharged the incumbrance for the benefit of the estate, and the incumbrance will accordingly be extinguished, unless, indeed, he has specially kept it alive by assignment, or by a declaration

Paying off an incumbrance upon an estate.

Tenant-in-tail in possession making payment.

(*w*) Story, 310, 111.

(*x*) *Re Bird, Dodd v. Evans* (1901), 1 Ch., 916; 70 L. J., Ch., 514; 84 L. T., 294.

Tenant for life
or tenant-in-
tail in
remainder
making
payment.

of his intention. But if a tenant for life, or a tenant-in-tail in remainder, pays off an incumbrance, the rule is different, for neither of such persons can be looked upon in the light of an absolute owner; for, as regards the tenant for life, he has but a very limited interest, and, as regards such a tenant-in-tail, he cannot bar the entail completely at his own will, but only with the consent of the protector of the settlement: therefore, on any payment off by a person occupying such a position, the charge is still kept alive (y). And where a tenant for life pays off an incumbrance, the mere fact that he is the parent of those entitled in remainder, is not, of itself, sufficient to rebut the presumption that he intends to keep the charge alive for his own benefit (z). As regards the tenant-in-tail in remainder, however, if he afterwards becomes a tenant-in-tail in possession, and does no act to keep the incumbrance alive, it appears that it will then be deemed to be extinguished; but if he never becomes a tenant-in-tail in possession, the persons interested in his personal estate are entitled to be recouped the amount paid, with interest.

Liability to pay
interest on an
incumbrance
existing on a
settled estate.

If an estate is settled, subject to an incumbrance existing thereon, a tenant for life is bound to keep down the interest, and if he dies without having done so, his estate must contribute towards the incumbrance to this extent. A tenant-in-tail in possession may please himself on this point. If he does not pay it, and leaves the estate to descend, the next tenant-in-tail takes it *cum onere*, and cannot call upon his ancestor's personal estate to pay it. If the tenant-in-tail, however, chooses to keep the interest down, and then dies, leaving the estate to descend, the next tenant-in-tail benefits to that extent, and

(y) Story, 314.

(z) *Re Harvey*, *Harvey v. Hobday* (1896), 1 Ch., 137; 65 L. J., Ch., 370; 73 L. T., 613.

there is no right, on the part of the personal representatives of the deceased tenant-in-tail, to call for repayment of the interest so paid (a).

It may, however, happen, in the case of an estate settled subject to an incumbrance, that the incumbrancer calls in his mortgage, or the parties interested wish to pay it off. A plain course is to sell the estate, and out of the proceeds pay off the incumbrance, and, if this is done, then, as to any surplus remaining, the tenant for life will receive the income on that, and at his death it will be paid over to the remainderman. Suppose, however, that the tenant for life and the remainderman do not wish the property sold, but agree themselves to pay off the incumbrance, the question then arises as to how the amount of it is to be apportioned between them. The rule of the Court is that the tenant for life shall contribute in proportion to the benefit he will derive from the cessation of the annual payments of interest during his life, a matter which must depend upon his age. If, therefore, the assistance of the Court is sought in such a case, it will be referred to chambers, to ascertain and report what proportion of the amount of the incumbrance the tenant for life ought, upon this basis, to pay, and what ought to be borne by the remainderman (b).

Position of
tenant for life
and remainder-
man who
together pay
off an
incumbrance.

A surety who pays his principal's debt, has a right to have the amount apportioned between himself and his co-sureties, and contributed to by them in proper proportions; and the leading case of *Dering v. Earl of Winchelsea* (c) establishes the general rule that this right exists quite independently of any contract, and has its basis upon principles of equity. The

Contribution
between
sureties.

*Dering v. Earl
of Winchelsea.*

(a) Story, 315.

(b) Story, 315.

(c) 2 Wh. & Tu., 535.

result of this decision is, that a surety may claim contribution from his co-sureties, though not joined by the same instrument, and though he did not before know that they were sureties (*d*); for it is in fact a common burthen, and ought to be borne by all of them.

Rights of sureties to participate in security held by one.

Sureties are not only entitled to contribution *inter se*, but, as a general rule also, they are entitled to call upon any one of their co-sureties who may have obtained from the principal debtor a counter security for the liability he has undertaken, to bring into hotch-pot, for the benefit of all the sureties, whatever he may have received from that source. And this is so even though such other party consented to be a surety only upon the terms of having the security, and the others were, when they entered into the contract of suretyship, ignorant of his additional rights (*e*).

Jurisdiction at law as to contribution.

Courts of law entertained actions for contribution between sureties; but, firstly, the remedy there was often unsatisfactory on account of a right of contribution being claimed against several, and separate actions having to be brought, thus leading to multiplicity of suits. The principle on which the amount of the contribution was arrived at was also unsatisfactory, viz. : that it must be calculated according to the number of sureties originally liable (*f*). Thus, suppose A, B, and C were sureties, and A had to pay the whole debt, and it happened that B was a bankrupt, still A could only recover at law against C one-third of the amount he had paid, and would thus have had himself to, probably, bear two-thirds. But in Equity the contribution was always made by reference to the number liable at the time of enforcing

(*d*) See *Craythorne v. Swinburne*, 14 Ves., 163.

(*e*) *Steele v. Dixon*, 17 Ch. D., 825; Brett's Eq. Cas., 244.

(*f*) *Cowell v. Edwards*, 2 B & P., 268.

it, so that in the case just put, A would always in Equity have recovered half the amount from C. At Law, also, it was held that if one surety died, no action could be maintained for contribution against his representatives, but Equity would always enforce such contribution (*g*).

Such distinctions have, however, ceased to exist since the fusion of Law and Equity, for the Equity rules now prevail (*h*) ; and a surety may get similar contribution, either in the Chancery, or the King's Bench Division of the High Court of Justice. But in many cases, to pursue the remedy in the Chancery Division, is most appropriate, on account of the machinery of the Court, which enables it to make inquiry in chambers as to the number of sureties, and other necessary points in connection with the matter.

The remedy is
now equally
in either
Division.

(*g*) *Batard v. Hawes*, 2 E. & B., 287.

(*h*) 36 & 37 Vict., c. 66, sec. 25 (11).

CHAPTER V.

PENALTIES AND FORFEITURES.

Origin and
general
principles of
the doctrine of
the Court
hereon.

THE origin of the jurisdiction of the Court of Chancery, with reference to granting relief against penalties and forfeitures is obscure, and it is difficult to trace it to any very exact source. It is, however, probable that relief was first granted upon the ground of accident, mistake, or fraud, and was limited to cases where the breach of the condition occasioning the penalty, was the non-payment of money at a specified day. The doctrine, no doubt, gradually expanded so as to embrace a variety of other cases (*i*), and the general principle of the Court came to be, that whenever a penalty is inserted merely to secure the performance or enjoyment of a collateral object, the latter is considered as the principal intent of the instrument, and the penalty is deemed only as accessory, that is, as intended only to secure its due performance, or to provide for the damage really incurred by the non-performance (*k*). This doctrine forms a good illustration of the maxim "Equity regards the spirit and not the letter," and the principle is the same as that upon which the Court has always allowed to the mortgagor his equity of redemption (*l*).

Relief at law
by statute.

But although originally, it was only in the Court of Chancery that relief could be obtained against penalties and forfeitures, this has long ceased

(*i*) Story, 896.

(*k*) *Sloman v. Walter*, 2 Wh. & Tu., 257; *Peachey v. Duke of Somerset*, *Ibid*, 250.

(*l*) See also *ante*, pp. 9, 173.

altogether to be the case, for by statute (*m*), it was provided that, though judgment at Common Law might be obtained for the full amount of a penalty, yet execution should only be issued for the actual damages assessed. And even since the Judicature Acts, the general doctrines on the subject, though equally applicable in the King's Bench Division, yet find their natural home in the Chancery Division, by reason of the necessity which may exist for an injunction, or other special relief most usually sought in that division.

In all cases of penalties or forfeitures the great point first to be considered is, whether the breach or non-compliance with the stipulations is of an absolutely essential nature. In all cases of provisions for payment of money, any stipulation for payment of a larger sum, if not paid at the time named, or for forfeiture of any property by reason of non-payment, is always looked upon by the Court as a penalty to secure the performance of the collateral act, and the Court will relieve (*n*). Thus, if there is an agreement to sell property, half the purchase-money to be paid down, and the balance on a certain date, with a condition that, if such balance is not paid at that date, the purchaser's interest in the property shall be forfeited, and the vendor shall again possess the property, here, though the date is not observed, the Court will look upon the provision as a penalty to secure the collateral act of payment of the balance of the purchase-money, and on payment thereof with interest will relieve (*o*). So again, from a very early time the Court of Chancery granted relief in case of forfeiture by tenants of their premises by reason of

Nature of cases
in which the
Court relieves.

(*m*) 8 & 9 Will. III., c. 11.

(*n*) *Sloan v. Walter*, 2 Wh. & Tu., 257; *Thompson v. Hudson*, L. R., 4 H. L., 15; 38 L. J., Ch., 435.

(*o*) *Re Dagenham Thames Dock Company*, *Ex parte Hulse*, L. R., 8 Ch. App., 1022; 43 L. J., Ch., 261.

non-payment of rent, upon the principle that the right of entry was intended merely as a security for the debt, and that provided the rent, interest thereon, and all costs were paid, the landlord was put in the same position as if the rent had been paid to him originally. And by the Common Law Procedure Act, 1852 (*p*), a similar power of granting relief was conferred on the Courts of Common Law.

Nature of cases in which the Court will not relieve.

Peachey v. Duke of Somerset.

Covenants in leases.

But there are many cases in which the performance of the thing is essential, and in which the Court will not relieve. Thus, in *Peachey v. Duke of Somerset* (*q*), the Court refused to relieve a copyhold tenant who had incurred a forfeiture of his lands, by making leases contrary to the custom of the manor, without the licence of the lord, and by felling timber, digging stones, and putting up hedges, although he offered to make compensation for what he had done. But it was recognised in that case that, had the forfeiture been for non-payment of rent or fines, the Court would have relieved. So, also, although the Court gave relief against a forfeiture for non-payment of rent, yet it would not do so in respect of other covenants, *e.g.*, a covenant to repair, or to insure, or not to assign without licence; and a tenant committing breaches of such covenants was, therefore, absolutely liable to be ejected under the condition of re-entry reserved in the lease. As regards the covenant to repair, however, it was at one time thought that there was a distinction between a general covenant to repair, and a covenant to lay out a specific sum in repairs, and that the Court would relieve in the latter case; but in later times no such distinction has been observed, and the general rule has been that in neither case, in the

(*p*) 15 & 16 Vict., c. 76, sec. 212.
(*q*) 2 Wh. & Tu., 250

absence of some special circumstances, would the Court relieve (*r*).

But, with regard to breaches of covenants in leases, it is now provided by the Conveyancing Act, 1881 (*s*), that a landlord shall not be entitled to take advantage of breaches of covenants (with the exceptions presently mentioned), by re-entering under a condition of re-entry, until he serves a notice specifying the breach, and, if capable of remedy, requiring it to be remedied, and in any case requiring the lessee to make compensation in money for the breach—if there is anything for which he requires to be compensated (*t*)—and the tenant within a reasonable time fails to comply with these requirements. Further, the Court has power to give relief against any forfeiture on such terms as it thinks fit, in its discretion, at any time before actual re-entry by the landlord (*u*). The exceptions from this provision are: (1) A covenant to pay rent; (2) Covenants against assigning, underletting, or parting with the possession of the property (*w*), or a condition for forfeiture on bankruptcy of the tenant, or seizing of his interest in execution (*x*); (3) Covenants or conditions in mining leases for the lessor to have access to books, accounts, records, and weighing machines, and to inspect the mine. In these excepted cases, therefore, no previous notice need be given, or is necessary, as in other cases; and as

Provisions of
Conveyancing
Act, 1881, as
to breaches of
covenant.

(*r*) *Hill v. Barclay*, 18 Ves., 62; *Bracebridge v. Buckley*, 2 Price, 200.

(*s*) 44 & 45 Vict., c. 41, sec. 14. See certain amendments of this provision in the Conveyancing Act, 1892 (55 & 56 Vict., c. 13), secs. 2 and 4.

(*t*) *Lock v. Pearce* (1892), 2 Ch., 328; 61 L. J., Ch., 606; 67 L. T., 164.

(*u*) *Rogers v. Rice* (1892), 2 Ch., 170; 61 L. J., Ch., 573; 66 L. T., 640.

(*w*) *Barrow v. Isaacs* (1891), 1 Q. B., 417; 60 L. J., Q. B., 179; 64 L. T., 686.

(*x*) Except to the extent provided for by the Conveyancing Act, 1892 (55 & 56 Vict., c. 13), sec. 2.

regards the last two exceptions, the general rule (*y*) remains the same as ever, viz.: that the Court cannot relieve on the breach of such covenants; but as regards the covenant for payment of rent, irrespective of this enactment, the Court has full power to relieve, as has been pointed out (*z*).

Provisions for forfeitures bad in themselves.

Some provisions for forfeiture are in themselves bad, as if the thing to be performed, and which if not performed is to be the cause of the forfeiture, is in itself illegal. And a condition that if a tenant for life attempts to sell, or lease, the property under the provisions of the Settled Land Act, 1882, his estate shall be forfeited, or shall go over to another, is absolutely void (*a*).

Distinction between penalties and forfeitures.

From what has been stated, it is plain that there is a distinction taken by the Court between a penalty strictly so called, and a forfeiture of estate or interest, as distinguished from a penalty. In the former case, relief is always given if compensation can be made, whilst in the latter, though compensation can be made, yet relief is not always given (*b*). Thus, take even now a forfeiture for a breach of a covenant by a lessee not to assign, the Court will not relieve, though really the landlord has not been damaged (*c*). It is difficult to see the grounds for the distinction, but, most probably, the idea of giving relief was, in the first instance, only adopted in the case of penalties and forfeitures for the breach of pecuniary covenants and conditions, and judges have been loth to extend it, considering it a dangerous

(*y*) Qualified by the Conveyancing Act, 1892 (55 & 56 Vict., c. 13), secs. 2, 4.

(*z*) See fully as to forfeiture of leases and relief, Indermaur's Conveyancing, 385-393.

(*a*) 45 & 46 Vict., c. 38, sec. 51. *Re Ames*, *Ames v. Ames* (1893), 2 Ch., 479; 62 L. J., Ch., 685; 68 L. T., 787.

(*b*) Story, 902.

(*c*) *Barrow v. Isaacs* (1891), 1 Q. B., 417; 60 L. J., Q. B., 179; 64 L. T., 685.

principle, and indeed its policy generally has been much questioned (*d*).

But, notwithstanding that there are many cases in which primarily the Court will not give relief, there may sometimes be special circumstances which will enable the Court to do so, or will induce the Court to interfere to prevent advantage being taken of the forfeiture or penalty. These special circumstances may be either accident, fraud, mistake, or acquiescence. If either by unavoidable accident, by fraud, surprise, or ignorance, a party has been prevented from performing a covenant literally, the Court will interfere, and relieve on compensation being made (*e*). Thus, a person will not be allowed to take advantage of a forfeiture brought about by his own act, as where a landlord has by his conduct misled his tenant into supposing that a certain covenant would not be insisted on (*f*). And where there has been long acquiescence in a breach of covenant, the landlord cannot proceed to enforce a forfeiture (*g*).

Special
circumstances
sometimes
enabling the
Court to
interfere.

A difficulty sometimes arises on a contract, in determining whether a sum which is agreed to be paid on breach is a penalty, or whether it is a sum considered between the parties, and fixed as liquidated damages; for if it really is the latter, then the whole amount can be recovered on breach, and the Court will not relieve. But the mere fact that the parties in their agreement style the amount to be paid as liquidated damages, does not conclude the matter, for the Court will not allow its jurisdiction to be evaded merely by that fact, or because

Penalty or
liquidated
damages.

(*d*) Story, 903.

(*e*) See 2 Wh. & Tu., 280.

(*f*) *Hughes v. Metropolitan Railway Company*, L. R., 2 App. Cas., 439; 46 L. J., C. P., 583.

(*g*) *Gibson v. Doag*, 6 W. R., 147; Story, 908.

the parties have designedly used language, and inserted provisions, which are in their nature penal, and yet have endeavoured to cover up and disguise their objects (*h*). The question, indeed, of penalty or liquidated damages, depends on the construction to be placed on the whole instrument taken together (*i*), though some general principles may be laid down to assist in arriving at that construction, of which we may mention two chief ones.

First general principle to assist in arriving at conclusion.

1. Where a sum of money is stated to be payable, either by way of liquidated damages, or by way of penalty, for breach of stipulations, all or some of which are, or one of which is, for payment of a sum of money of less amount, the former sum of money is really a penalty, and the actual damage only can be recovered, as the Court will not sever the stipulations (*k*). Thus, where an actress was, by the contract of engagement, to act at a theatre, and to be paid a fixed weekly salary, and she subjected herself to the payment of certain fines and forfeitures, and it was agreed that on breach on either side £200 should be paid, it was held that this was a penalty (*l*).

Second general principle.

2. But where the damage for the breach of stipulations is unascertainable, or not readily ascertainable, and there is a sum agreed to be paid on breach of any or either of them, then the sum is treated as liquidated damages, and this notwithstanding that there are several stipulations, and some of them may be of greater, and some of less importance (*m*). Still

(*h*) Story, 901.

(*i*) *Wallis v. Smith*, 21 Ch. D., 243; 52 L. J., Ch., 145; Brett's Eq. Cas., 63.

(*k*) 2 Wh. & Tu., 268.

(*l*) *Astley v. Weldon*, 2 B. & P., 346; and see *Kemble v. Farren*, 6 Bing., 141.

(*m*) *Kemble v. Farren*, 6 Bing., 141; Per Jessel, M.R., in *Wallis v. Smith*, 21 Ch. D., 258; 52 L. J., Ch., 149; *Ward v. Monaghan*, 59 J. P., 532.

this rule is to be carried out with limitations, for, although a good general principle, it may amount to great hardship in some cases, and so much so that the Court cannot consider the payment of the sum to be the real design.

Where a person contracts not to do an act, and if he does it to pay a certain sum of money, or, that if he omits to do an act he will pay a certain sum of money, he cannot elect to do the act, or omit to do it and pay the amount; and this is so whether the amount is a penalty or liquidated damages. In such a case the Court will interfere by injunction to prevent the doing of the act the party has agreed not to do, or will compel specific performance of the act he has agreed to do, if it is a proper case for the Court to do so (n). Thus it is an ordinary condition of sale that if the purchaser does not comply with the conditions, he shall forfeit his deposit, but still the purchaser has no right to elect to not carry out the purchase but, instead, to avoid the contract and forfeit his deposit. In one case, the defendant, having been appointed by the plaintiffs their bank manager at Leeds, executed a bond with a penalty of £1,000 to the plaintiffs, conditioned to be void if the defendant, after quitting the plaintiffs' employ, should not enter into similar employ, within a certain specified time and distance. The defendant, having committed a breach of the condition, contended that the plaintiffs' only remedy was to recover the monetary penalty reserved by the bond; but the Court held that the condition of the bond was evidence of an agreement not to do the thing in question, and granted an injunction (o).

Person cannot avoid a contract by paying a sum of money provided to be paid on breach.

London and Yorkshire Banking Company v. Pritt.

(n) *French v. Macale*, 2 D. & War., 274; *City of London v. Pugh*, 4 Bro. C. C., Toml. Ed., 395.

(o) *London and Yorkshire Bank v. Pritt*, 56 L. J., Ch., 987; 57 L. T., 875; *National Prov. Bank v. Marshall*, 40 Ch. D., 112; 58 L. J., Ch., 229; 60 L. T., 341.

Unless it is
distinctly
alternative.

But care must be taken to distinguish cases coming within the principle just mentioned, from that class of cases in which there is a contract not to do a certain thing except subject to certain payments. In such cases, the intention of the parties is that one of them shall either do or refrain from doing, a particular thing, or, as an alternative, make a certain payment, and if a party chooses the alternative, the Court will not interfere, either by way of specific performance or injunction. Thus, where a lessee covenanted not to plough up the ancient meadow or pasture ground, and if he did that he would pay an additional rent of £5 an acre, it was held that he could, if he liked, plough it up, but that if he did, he must pay the extra rent (*p*).

(*p*) *Rolfe v. Peterson*, 2 Bro. C. C. Toml. Ed., 486; *Woodward v. Gyles*, 2 Vern., 119.

CHAPTER VI.

MARRIED WOMEN.

THE various peculiar doctrines of the Court of Chancery with reference to the subject of married women, all have reference to their property, and it will, therefore, in the first place, be necessary to consider their position and rights with regard to their property at Common Law, both as it was and as it now is.

The doctrines of the Court as to married women are all in connection with their property.

At Common Law, as regards the freeholds of the wife, the husband had a right to take the rents and profits thereof, and if he had issue by her, born alive, and capable of inheriting, he had an estate by the curtesy. The inheritance, however, was in the wife, and this could be disposed of by the husband and wife by means of a fine, and, afterwards, under the provisions of the Fines and Recoveries Act, 1833 (*g*), by deed acknowledged, she being separately examined before a Judge or two Commissioners (*r*), and on her death, subject to the husband's curtesy, the land went to her heir. As regards her leaseholds, they vested absolutely in the husband, and he could dispose of them in any way except by will; if the husband did not dispose of them during his lifetime, they survived to her. As to her other personalty, if that consisted of *choses in possession*, they vested absolutely in the husband, but if of *choses in action* it was necessary for the husband to reduce them into possession, *e.g.*, by recovering

Position as to wife's property at Common Law.

(*g*) 3 & 4 Will. IV., c. 74, sec. 70.

(*r*) One Commissioner alone was made sufficient by the Conveyancing Act, 1882 (45 & 46 Vict., c. 39, sec. 7).

judgment and issuing execution, and if he failed to reduce them into possession they survived to the wife. If he, however, survived her, he took all her personalty, including leaseholds.

The Married
Women's
Property Act,
1870

This position was to some extent altered by the Married Women's Property Act, 1870 (*s*), the provisions of which Statute, however, so far as they are necessary to be considered here, only apply to women married on or after 9th August, 1870. By that Statute it is provided (*t*) as to her freeholds, that if they *descend* to her, the rents and profits shall be to her separate use. As to her personalty (which term, of course, includes leaseholds), it provides (*u*) that if she takes it as next-of-kin it shall be to her separate use; and there is a similar provision (*w*), if it consists of a sum of money, not exceeding £200, coming to her under a deed or will.

The Married
Women's
Property Act,
1882.

But this position has now been still further altered by the Married Women's Property Act, 1882 (*x*), which came into operation on 1st January, 1883. There are two distinct provisions of that Statute to be noticed here. It provides, firstly (*y*), that, as regards a woman married after it came into operation, all property which she was possessed of at the time of her marriage, or which she subsequently acquires, shall be to her separate use; and, secondly (*z*), that, as regards a woman married before its commencement, all property, her title to which accrues after the commencement of the Act, shall be to her separate use. On this provision it has been decided that there can be but one accrual of title, so that

(*s*) 33 & 34 Vict., c. 93.

(*t*) Sec. 8.

(*u*) Sec. 7.

(*w*) Sec. 7.

(*x*) 45 & 46 Vict., c. 75.

(*y*) Sec. 2.

(*z*) Sec. 5.

where a woman married before the Act, is entitled *Reid v. Reid*. before the Act, to property in reversion or remainder, which then falls into possession on or after the 1st January, 1883, that is not property which has accrued to her since the Act. It accrued to her at the original date of her acquirement of it, and the mere fact of its changing from a reversionary property into an estate in possession, is not an accrual of title (a).

The husband's rights, therefore, in his wife's property during her lifetime, have been almost entirely swept away. But formerly they were manifestly very considerable, and the rights he would acquire by marriage, gave rise to a doctrine of the Court in his favour, known as a Fraud on the husband's marital rights. This doctrine was, that if a woman engaged to be married, made a settlement or other disposition of her property secretly, without notice to the intended husband, it operated as a fraud on him, and would be set aside (b). The husband was considered as having a right to expect that, after the contract to marry, no change should be made in the lady's position, without his being apprised of it. And the rule prevailed even though the settlement, or other disposition, was not immediately before marriage, and though the husband did not know of the wife being possessed of the property, and though a considerable time had elapsed after the marriage before proceedings were taken to set it aside (c); provided he had not been guilty of laches,

Fraud on
husband's
marital rig

(a) *Reid v. Reid*, 31 Ch. D., 402; 55 L. J., Ch., 294; Brett's Eq. Cas., 96. The case of *Re Parsons, Stockley v. Parsons*, 45 Ch. D., 51; 59 L. J., Ch., 666; 62 L. T., 929; should be compared with *Reid v. Reid* and distinguished. That was a case of a married woman having merely a *spes successionis* before 1st January, 1883, and it became an actual estate or interest after that date, and it was held that the property was to her separate use.

(b) *Countess of Strathmore v. Bowes*, 1 Wh. & Tu., 613.

(c) *Goddard v. Snow*, 1 Rus., 484.

*Countess of
Strathmore v.
Bowes.*

and provided also that his right was not defeated by the countervailing equity of a *bonâ fide* purchaser for value having the legal estate. But if the settlement was made with notice to the then intended husband, it was good, so that, in such a case, where the woman, directly after making the settlement, broke off the engagement, and married another man, who knew nothing of the settlement, it was held that he could not set it aside, for it was no fraud upon him, not having been made during the engagement with him (*d*).

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defeat
husband.

And, although a settlement or disposition by a woman engaged to be married might be a moral and righteous one, yet the Court would not permit her thus to defeat her husband's expectations; so that even a secret provision by her for children of a former marriage could not have been supported (*e*). But, where a man had seduced the woman he was engaged to be married to, and she then secretly made a reasonable settlement of her property, the Court refused to set it aside in favour of the husband, upon the ground that he had, by his conduct, practically prevented her from retiring from the marriage, and had put it out of her power effectually to make any stipulation for the settlement of her property (*f*).

The doctrine
of fraud on
husband's
right
s not
t now.

It may, perhaps, be considered that as a woman married on or after 1st January, 1883, will, under the Married Women's Property Act, 1882 (*g*), be entitled to her property, at and after her marriage, to her separate use, the right of the husband to set aside a settlement made by the wife can no longer be enforced, since the marital right of the husband,

(*d*) *Countess of Strathmore v. Bowes*, 1 Wh. & Tu., 613.

(*e*) 1 Wh. & Tu., 618.

(*f*) *Taylor v. Pugh*, 1 Hare, 608.

(*g*) 45 & 46 Vict., c. 75.

to protect which the rule was enforced, has by this Act been almost, in effect, abolished (*h*). Yet, in the absence of express decision, this cannot be taken as definite law, for it must be remembered that on the death of his wife intestate, the husband has certain rights, viz. :—Curtesy out of her real estate (*i*), and, as regards her personal estate, he takes that entirely (*k*). It may therefore, with some show of reason, be argued, that a husband has even now such an interest in his wife's property as would still render a secret disposition by her a fraud upon him. Again, it may be argued that though he has no actual rights as husband during her life, yet he has the moral powers and rights of husband, and that the doctrine is not founded merely upon his strict legal rights. Still, if a woman, directly she is married, can now—as she undoubtedly can—dispose of all her property without her husband's consent or knowledge, it is certainly strange if she cannot do so before she actually marries.

The fact of the husband's great control over, and interest in, his wife's property at law, gave rise in Equity to the doctrine of separate estate, that is an ownership of property by a married woman apart from her husband, for her exclusive use. It was at first considered necessary that any property which a wife was to have for her separate estate must be vested in trustees for her benefit; but it was afterwards established that this was not essential, and that whenever either real or personal property was given to a married woman for her separate use, even

Separate
estate.

(*h*) See Vaizey's Settlements, 1581; 1 Wh. & Tu., 616.

(*i*) *Cooper v. Macdonald*, 7 Ch. D., 288; 47 L. J., Ch., 373. This right to curtesy is not affected by the Married Women's Property Act, 1882 (*Hope v. Hope* (1892), 2 Ch., 336; 61 L. J., Ch., 441; 66 L. T., 522). See further hereon, *post*, p. 417.

(*k*) 29 Car. II., c. 3, sec. 24; *Re Lambert's Estate*, *Stanton v. Lambert*, 39 Ch. D., 626; 57 L. J., Ch., 927; 59 L. T., 429. See also *post*, p. 417.

though there were no trustees, yet effect should be given to the intention of the parties, for, "Equity never wants a trustee." The Court would, therefore, the intention being manifest, follow the legal estate, or possessory interest, into the husband's hands, and compel him to hold, as a trustee for his wife (*l*).

What words
will create
separate
estate.

As regards what words would be sufficient to show an intention to create a separate estate for a married woman, it may be stated that no particular formal or technical expressions were necessary, but that any words would be sufficient which showed an intention to exclude the husband from any interest in the property. The most apt words were, "to her sole and separate use," but many other expressions were held sufficient, *e.g.*, "to her sole use and benefit"; "for her own use, and at her own disposal"; "to her own use during her life independently of her husband" (*m*). A gift to a woman for her "sole benefit" has, however, been held not, by itself, sufficient to make the property to her separate use (*n*), but if the property was given in this way to trustees then such words were usually sufficient (*o*); and if, when the gift was made, the woman was already married, or her marriage was then in contemplation, a gift for her "sole benefit" was held to show a sufficient intention to exclude the husband, and to create a separate estate (*p*).

Clause against
anticipation.

The establishment by the Court of Chancery of the right of a woman to have property so settled upon herself that she should hold it apart from any

(*l*) Story, 948.

(*m*) Story, 949.

(*n*) *Massy v. Rowen*, L. R., 4 H. L., 288.

(*o*) *Gilbert v. Lewis*, 1 De G., Jo. & S., 38.

(*p*) *Ex parte Ray*, 1 Madd., 199; *Re Tarsey's Trusts*, L. R., 1 Eq., 561; 35 L. J., Ch., 452.

husband, was not sufficient in itself to afford that real protection which was desirable, for there was always the very likely event to be considered, that she would hand the property over to her husband, either by reason of his persuasion, or his threats. To protect her, therefore, against the influence and control of her husband, the Court held that a clause might be inserted in the settlement, or will, restraining her from anticipating or alienating her separate property, whether real or personal, and whatever might be her interest therein, whether absolute or for life only (q). The effect of this clause was fully considered in the leading case of *Tullett v. Armstrong* (r), where it was laid down that both the separate use clause, and the restriction against anticipation, are practically only applicable during marriage; that, if property is given to a then unmarried woman, these provisions become effectual on subsequent marriage; that the anticipation clause can only be annexed to separate estate; and that neither clause can have any effect during widowhood, but that they can revive on a subsequent marriage, if apt words are used. Where the anticipation clause exists, the married woman can only receive the income of the property as and when it becomes due, and she has no power whatever to give valid receipts for money paid in advance, or—except in so far as there have been any statutory modifications (s)—to charge, or otherwise dispose of, or release it, and the doctrine of estoppel cannot even be applied to prevent the strict operation of the anticipation clause (t).

*Tullett v.
Armstrong.*

This anticipation clause is clearly an invention of the Court for the purpose of protecting married

The anticipation clause is subject to the perpetuity rule.

(q) 1 Wh. & Tu., 709.

(r) 1 Beav., 1, subsequently affirmed on Appeal, 4 My. & Cr., 405.

(s) As to which, see *post*. 414.

(t) *Lady Bateman v. Faber* (1898), 1 Ch., 144; 67 L. J., Ch., 130; 77 L. T., 576.

*Re Ridley,
Buckton v.
May.*

women, and it must be regarded as an exception to the ordinary doctrine and policy of the law that property shall not be rendered inalienable. But although this exception exists, it must be borne in mind that it is subject to the rule against perpetuities, and that any direction against anticipating which may exceed the perpetuity rule, is bad, that is to say, if the direction against anticipating may extend beyond a life or lives or being, and 21 years afterwards, effect will not be given to it. Thus a testator gave a sum of £4,000 to trustees in trust for his niece, and after her decease for her child or children living at her death, and the issue of any who should have predeceased her, and he directed that the shares of any female legatees should be for their separate use without power of anticipation. At the death of the niece her only children (two married daughters) presented a petition to the Court for payment out to them of the whole fund which was in Court, and the Court made the order, deciding that the restraint against anticipation was void as possibly exceeding the perpetuity rule (*u*).

Power to
dispose of
separate
property.

Whenever property is held by a woman for her separate use, then, provided there is no clause restraining her from anticipating, she has always been able, in Equity, to dispose of it by deed or will, as if she were a *feme sole*, and this whether the property so settled was real, or personal, in possession, or in reversion (*w*). With regard, however, to real property given to her for her separate use without

(*u*) *Re Ridley, Buckton v. May*, L. R., 11 Eq., 649; 48 L. J., Ch., 563. And see *Armitage v. Coates*, 35 Beav., 1; *Re Michael's Trusts*, 46 L. J., Ch., 651; *Herbert v. Webster*, 15 Ch. D., 610; 49 L. J., Ch., 620. In this last-mentioned case a sum was settled in trust for present and future children, in equal shares, with a restraint on anticipation of daughters' shares, and some daughters were *in esse*, and in order to carry out the intention with regard to these, and avoid the rule against perpetuities, the gift was read as of the shares separately.

(*w*) *Fettiplace v. Gorges*, 1 Ves., Jr., 46; *Taylor v. Meads*, 34 L. J., Ch., 203; *Sturges v. Coep*, 13 Ves., 190.

the intervention of trustees, the legal estate would devolve on the husband, and though the wife could by herself dispose of the equitable or beneficial interest, yet to pass the legal estate it would be necessary for the husband to join, and for the deed to be acknowledged (x).

At the present day, by reason of the Married Women's Property Act, 1882 (y), if it is simply desired that a woman shall enjoy property for her separate use, there is no occasion to express that, or to give the property to her through trustees, for it must be to her separate use without any words being annexed to it to make it so; and, as under this Act she is to be in the same position with regard to her property as if she were a *feme sole*, it follows that by virtue of its provisions she can dispose of her estate or interest, in all kinds of property which by it are to her separate use, in the same manner as she could do if unmarried (z). Thus, she can enlarge a base fee into a fee simple absolute, without any acknowledgment, and without her husband joining (a). It is evident, therefore, that any lengthened consideration of the subject of the creation of separate estate by contract, settlement, or will, with the various distinctions, on different points arising therefrom, cannot be of general practical use, having, as it would, only reference to the past, and not to the present or future. But the Married Women's Property Act, 1882, simply gives a woman her property for her separate use, and if it is desired that

Position now
under the
Married
Women's
Property Act,
1882.

(x) *Taylor v. Meads*, 34 L. J., Ch., 203.

(y) See *ante*, pp. 396, 397.

(z) The Act does not, however, apply to property which she holds on an active trust, and here on any sale her husband must join, and she must acknowledge the deed (*Re Harkness & Allsopp's Contract* (1896), 2 Ch., 358; 65 L. J., Ch., 726; 74 L. T., 652). But she can, alone, convey property she only holds as a bare trustee (56 & 57 Vict., c. 53 (Trustee Act, 1893), sec. 16).

(a) *Re Drummond & Davies* (1891), 1 Ch., 524; 60 L. J., Ch., 258; 64 L. T., 246.

she shall not have a full disposing power over it, it is still necessary to give the property to her expressly without power of anticipation. It would also manifestly be advisable, in such a case, to vest the property in trustees for the married woman.

As to the anticipation clause.

Re Lumley.

Although, formerly, for the clause against anticipation to have had any effect, the property must have been expressly given to the woman's separate use, it being an equitable creation incapable of being annexed to a legal interest, it has been decided that now, since the Married Women's Property Act, 1882, there is not any necessity for such words, for, as all property is, without it being so stated, to be for a married woman's separate use, it follows that all that is necessary is to simply provide against anticipation, the separate use clause being, in effect, provided by the Statute (*b*). When property is given to a woman without power of anticipation, the effect is, as has been already stated, that she can simply receive the rents, profits, or other income thereof, as and when they become due, and she cannot dispose of, or in any way deal therewith, until that time; but, naturally, when that time arrives she can, for the clause then ceases to have any further application. And though interest is ordinarily deemed as accruing due *de die in diem*, a married woman, upon whom the fund out of which it proceeds is settled to her separate use, without power of anticipation, cannot effectually assign an apportioned part of the interest up to the date of the assignment, but can only deal with the interest after it has become payable (*c*).

Judgment and execution.

A judgment, and execution issued and put in force thereon, operate by way of involuntary alienation of

(*b*) *Re Lumley, Ex parte Hood-Barrs* (1896), 2 Ch., 690; 65 L. J., Ch., 837; 75 L. T., 236.

(*c*) *Re Brettell*, 2 De G., Jo. & Sm., 79.

a debtor's property, and the question has arisen as to the rights of a judgment creditor against a married woman's separate estate settled on her without power of anticipation. It has been decided that the judgment creditor can attach any income actually due and payable at the time of his judgment (*d*), but not subsequent income, even when it becomes due and payable (*e*). The Married Women's Property Act, 1893, however, provides that, in any action, or proceeding, instituted by a married woman, the Court shall have jurisdiction to order payment of the costs of the opposite party out of property she is restrained from anticipating, and may enforce payment by the appointment of a receiver, and the sale of the property, or otherwise as may be just (*f*).

Hood-Barrs v. Heriot.

Whiteley v. Edwards.

Costs.

With regard to debts and other liabilities created by a woman before marriage, the Married Women's Property Act, 1882 (*g*), provides that after her marriage she shall continue liable therefor to the extent of her separate property, and that she cannot, by settling her property upon herself, without power of anticipation, deprive creditors of their rights (*h*).

Debts before marriage.

The anticipation clause is manifestly sometimes a means of protecting a married woman from being

Bankruptcy.

(*d*) *Hood-Barrs v. Heriot* (1896), A. C., 174; 65 L. J., Q. B., 352; 74 L. T., 353. In the case of *Collyer v. Isaacs* (*Law Times Newspaper*, 28th August, 1897), where the plaintiff had got an order for judgment against a married woman, but had deferred actually signing judgment until a later date when income had accrued due, the Court of Appeal held that the income could not be attached, because it was not due at the date of the order for judgment.

(*e*) *Whiteley v. Edwards* (1896), 2 Q. B., 48; 65 L. J., Q. B., 457; 74 L. T., 720.

(*f*) 56 & 57 Vict., c. 63, sec. 2; and see hereon *Moran v. Price* (1896), P., 214; 65 L. J., P., 83; 74 L. T., 661; *Hood-Barrs v. Heriot* (1897), A. C., 177; 66 L. J., Q. B., 356; 76 L. T., 299.

(*g*) 45 & 46 Vict., c. 75, secs. 13, 19.

(*h*) See *Re Hedgeley, Small v. Hedgeley*, 34 Ch. D., 479; 56 L. J., Ch., 360; 56 L. T., 19; *Jay v. Johnstone*, 25 Q. B. D., 467; 59 L. J., Q. B., 367; 63 L. T., 174.

compelled to pay her just debts, a state of the law which does not appear at all satisfactory. Furthermore, to the great detriment of creditors, the anticipation clause is also a protection to a married woman in the event of her bankruptcy, for, as bankruptcy is involuntary alienation, it follows that if she becomes a bankrupt, future accruing income cannot be claimed by the trustee in her bankruptcy. If, however, a bankrupt married woman becomes a widow before she gets her discharge, then her income can at once be claimed by the trustee, for the anticipation clause has then ceased to be effectual (*i*); and it would appear, in such a case, that the title of the trustee will not be divested by the lady marrying again.

Re Wheeler.

Married woman joining in breach of trust.

If a married woman concurs with her trustees in committing a breach of trust, which results in the loss of her separate use property, she will be held to have disposed of it, and cannot call upon her trustees to replace it (*k*). If, however, it was settled on her without power of anticipation, then it was formerly held to be otherwise (*l*). And although, ordinarily, the income of property settled to the separate use of a married woman is liable to make good, a loss occasioned by her own breach of trust in making away with other property under the trust, yet, if there is a clause against anticipation, future income will not be so liable (*m*). The Trustee Act, 1893 (*n*), however, now provides that when a trustee commits a breach of trust at the instigation, or request, or with the consent in writing of a beneficiary, the Court may, even if the beneficiary is a married

(*i*) *Re Wheeler's Settlement Trust* (1899), 2 Ch., 717; 68 L. J., Ch., 333; 81 L. T., 72; 48 W. R., 10.

(*k*) *Crosby v. Church*, 3 Beav., 485.

(*l*) *Davies v. Holgson*, 25 Beav., 186.

(*m*) *Clive v. Carew*, 1 J. & H., 199.

(*n*) 56 & 57 Vict., c. 45, and see *ante*, p. 99.

woman entitled for her separate use without power to anticipate, impound all or any part of the beneficiary's interest to indemnify the trustee, or any one claiming through him. The Court, therefore, being able to impound the beneficiary's interest, would not now, it is apprehended, give relief against the trustee at the instance of such a beneficiary, who has consented in writing to, or has instigated, or requested the breach of trust which has been committed.

If a sum of stock or money is given absolutely to a married woman, and there is a provision restraining her from anticipation, it is sometimes difficult to determine the exact effect of the gift. A distinction has in some cases been drawn between whether the fund happens to be an income-bearing fund or not, but this distinction cannot now be maintained as definitely settling the point (o). Thus, if a sum of stock is bequeathed to a married woman with a clause restraining her from anticipation, she can generally only receive the income, and cannot call for the capital, the words having the effect, practically, of giving her a perpetual annuity, which she can, however, only receive as and when it becomes due, and cannot absolutely dispose of, except by her will (p). But if a sum of money is bequeathed to a married woman with a clause restraining her from anticipation, then it was formerly considered that such clause was always ineffectual, as there being no income coming in, there would, if effect were given to it, be nothing for her to receive (q). It must, however, be considered as now settled that there is not necessarily any such distinction, and

Gift of capital to a married woman without power of anticipation.

(o) Per Cotton, L. J., *Re Bown, O'Halloran v. King*, 27 Ch. D., 422; 53 L. J., Ch., 881; 50 L. T., 796.

(p) *Re Ellis's Trust*, L. R., Ch., 17 Eq., 409; *Re Benton, Smith v. Smith*, 19 Ch. D., 277; 51 L. J., Ch., 183; 45 L. T., 786.

(q) *Re Clarke's Trusts*, 21 Ch. D., 748; 51 L. J., Ch., 855; 47 L. T., 43.

Not necessarily any distinction whether the fund is one producing income or not.

Re Bown, O'Halloran v. King.

Re Fearon.

Effect of anticipation clause when annexed to an absolute gift payable *in futuro*.

Re Bown, O'Halloran v. King.

indeed, it seems very strange for the Court ever to have made the validity of the anticipation clause turn entirely on the accident, whether at the time the money was in cash or was invested, for that is what it really came to. The correct view must now be taken to be that laid down in the case of *Re Bown, O'Halloran v. King* (r), viz., that the clause against anticipation *may* be equally good in either case, the question turning entirely upon the intention of the testator as shewn in his will, viz., has he declared an intention that the money should be paid to the married woman, or that only the income should be paid her from time to time, and, if the latter is the true construction, she will only enjoy the fund as an annuity, and not as a capital sum of money (s). The intention to tie up the property must, however, be clearly expressed, and, as a general rule, where there is a gift to a married woman without power of anticipation, *if there is no further indication that the income only is to be paid to her during coverture*, the clause against anticipation will be rejected and the *corpus* paid over to her (t). And where there is a gift of the capital or *corpus* of property to a married woman at a future date, e.g., the death of a life tenant of the fund, a clause against anticipation is construed as applicable only to the interval between the death of the testator and the future period, and will not prevent the married woman from calling for a transfer of the fund on the death of the tenant for life. Thus, where a sum was directed to be invested upon trust for one for life, and then at his death a portion of the fund was given to a married woman for her separate use, without power of anticipation, it was held that the effect of the clause was

(r) 27 Ch. D., 411; 53 L. J., Ch., 881; 50 L. T., 796.

(s) Per Cotton, L. J., in *Re Bown, O'Halloran v. King*, 27 Ch., D., at p. 422; 53 L. J., Ch., at p. 884; *Re Grey's Settlements*, 34 Ch. D., 712; 56 L. J., Ch., 511; 1 Wh. & Tu., 710, 711.

(t) *Re Fearon, Hotchkiss v. Mayor*, 45 W. R., 232.

only to prevent the married woman anticipating, or alienating, the fund during the lifetime of the tenant for life, and that on his death the restraint entirely ceased, and she was absolutely entitled to call for the whole amount given to her, and was not compelled simply to receive the income as and when it became due from time to time (*u*).

The clause against anticipation, though invented for the benefit of married women, has been found in certain cases to work hardly, and inconveniently, and to their detriment (*w*). It has, therefore, been provided by the Conveyancing Act, 1881 (*x*), that notwithstanding that a married woman is restrained from anticipation, the Court may, if it thinks fit, where it appears to the Court to be for her benefit, by judgment, or order, with her consent, bind her interest in any property. This provision does not mean that the Court has a general power of removing the restraint on anticipation, but only a power to make binding a particular disposition of property by a married woman if it be for her benefit. Thus, in one case, property had been settled upon trust to pay the income to the wife for life, without power of anticipation, and then to the husband for life, if surviving, then to the children of the marriage, and in default of children, for the husband absolutely. The parties had been married 28 years without having any children, and there was medical evidence that it was almost impossible for the lady to have any issue. Yet the Court of Appeal declined to remove the restraint on anticipation (*y*). But, to enable a woman to make some particular disposition which is

Provision of
Conveyancing
Act, 1881,
sec. 39.

*Re Warren's
Settlement.*

(*u*) *Re Bown, O'Halloran v. King*, 27 Ch. D., 411; 53 L. J., Ch., 881; 50 L. T., 796; *Re Holmes, Hallows v. Holmes*, 67 L. T., 335.

(*w*) See *Robinson v. Wheelwright*, 6 De G., M. & G., 535; *ante*, p. 352.

(*x*) 44 & 45 Vict., c. 41, sec. 39.

(*y*) *Re Warren's Settlement*, 52 L. J., Ch., 928; Brett's Eq. Cas., 104; *Re Little, Harrison v. Harrison*, 40 Ch. D., 418; 58 L. J., Ch., 233; 60 L. T., 246.

for her benefit, the Court has undoubtedly in some cases taken a very liberal view of this enactment, dealing with it in a practical light, and removing the clause at her request, when it has been clearly shewn that a direct benefit to her is likely to result by doing so. Thus, in one case, a woman was entitled to a considerable reversionary property for her separate use, without power of anticipation. Her husband was a medical man, and wished to purchase a practice, and the wife applied to have the restraint removed, so that money could be raised thereon for the purchase. The Court acceded to the application, it being shown that the practice was a substantial one, and likely to be for the woman's benefit (z). In another case, the Court removed the anticipation clause, for the purpose of enabling a married woman to raise money to pay her debts (a). However, the Court will by no means always do this; thus, in one case the Court of Appeal distinctly refused to so act, on the ground that the debts had been contracted improvidently (b). In fact, the tendency of the most recent decisions is somewhat the reverse of the earlier ones, going to shew that a very substantial case must be made out to induce the Court to accede to an application to remove the anticipation clause (c). Every case must, no doubt, stand on its own merits; the Court has a judicial discretion, and it must be for the Court to decide whether it will exercise such discretion.

Liability of
separate
estate.

We have shewn that not only can a married woman own separate property, but that she can also dispose

(z) *Re Torrance's Settlement*, 81 *Law Times Newspaper*, 118; *Law Students' Journal*, 1886, p. 167.

(a) *Hodges v. Hodges*, 20 Ch. D., 749; 51 L. J., Ch., 549. See other cases on this subject in Brett's Eq. Cas., 104-108.

(b) *Re Pollard's Settlement* (1896), 2 Ch., 552; 65 L. J., Ch., 796; 75 L. T., 116; see also *Re Giorgi, Giorgi v. Wood*, 45 *Solicitors' Journal*, 615; *Law Students' Journal*, August, 1901, p. 184.

(c) See *Re Blundell's Trusts* (1901), 2 Ch., 221; 70 L. J., Ch., 522; 84 L. T., 706.

of it, subject to the anticipation clause; it is also necessary to consider the extent of the liability of her separate property for her debts, and engagements, contracted during marriage. The general rule has long been that her debts or contracts incurred or entered into during coverture, would bind her separate estate if she expressly charged them thereon, or if, judging from their nature, she might fairly be taken to have intended to charge them thereon, *e.g.*, a bond, or a promissory note, or the like (*d*). But, engagements or liabilities entered into, or incurred, by a married woman, with regard to which there was no intention expressed to bind her separate estate, and which were not of such a character as to give rise to any presumption of such intention, would not so bind it (*e*). And, of course, ordinary general engagements would not bind it, for, as regards these, she was, and is, presumed to enter into them as agent for her husband, and if this is the case, then like any other agent acting properly, there is no personal liability, so that here there certainly could not be any intention to charge her own separate property; but if such an intention could be found, then even such debts as these would bind it (*f*). The importance of a knowledge of the various decisions bearing on the subject of the liability of separate estate is not now great, for, by the Married Women's Property Act, 1882 (*g*), it is provided that every contract entered into by a married woman is to be *primâ facie*, considered as binding her separate estate. This provision, therefore, reverses the position as regards contracts, and engagements, entered into since the Act (*h*), and we do not now have, as before, to seek for words, or

*Hulme v.
Tenant.*

Provision of
Married
Women's
Property Act,
1882.

(*d*) *Hulme v. Tenant*, 1 Wh. & Tu., 654.

(*e*) *Davies v. Stanford*, 61 L. T., 234.

(*f*) *Matthewman's Case*, L. R., 3 Eq.; 787.

(*g*) 45 & 46 Vict., c. 75, sec. 1 (2).

(*h*) The provision is not retrospective (*Davies v. Stanford*, 61 L. T., 234).

intention, to bind the woman's separate estate, but still, of course, this does not make her separate estate ordinarily liable for debts for necessaries, unless, indeed, expressly charged thereon, for, as to these, she usually contracts as agent for her husband.

What separate estate of a married woman liable for her debts.

Married Women's Property Act, 1882.

Palliser v. Gurney.

Married Women's Property Act, 1893.

It was formerly held that, although a debt on contract was of such a nature as to bind a married woman's separate estate, yet it would only bind separate estate to which she was entitled at that date, and not separate estate which she subsequently acquired (*i*). By the Married Women's Property Act, 1882 (*k*), it was, however, provided that a married woman might bind all separate property which she was then possessed of, or might subsequently acquire; but it was decided that this provision did not make a married woman capable of rendering herself liable in respect of her separate property, on any debt or contract, unless she had some separate estate at the time of incurring the debt, or entering into the contract. If at the time she had any separate estate, then, not only that, but any subsequently acquired separate property was liable; but if at the time she had no separate estate, then, though she might afterwards acquire some, that could not be held liable (*l*). It is now, however, provided by the Married Women's Property Act, 1893 (*m*), that every contract entered into by a married woman after 5th December, 1893, otherwise than as an agent, shall be deemed to be a contract entered into by her with respect to, and to bind her separate property, whether she is or is not in fact

(*i*) *Pike v. Fitzgibbon*, 17 Ch. D., 454; 50 L. J., Ch., 394.

(*k*) 45 & 46 Vict., c. 75, sec. 1 (4).

(*l*) *Palliser v. Gurney*, 19 Q. B. D., 519; 56 L. J., Q. B., 546; 35 W. R., 760; *Leak v. Driffield*, 24 Q. B. D., 98; 59 L. J., Q. B., 89; 61 L. T., 771; *Bonnar v. Lyon*, 38 W. R., 541.

(*m*) 56 & 57 Vict., c. 63, sec 1.

possessed of or entitled to, any separate property at the time when she enters into such contract; and shall bind all separate property which she may thereafter be possessed of or entitled to, and shall also be enforceable by process of law against all property which she may thereafter, while discovert, be possessed of, or entitled to. Nothing, however, in this provision is to render available, to satisfy any liability or obligation arising out of any contract made during marriage, any separate property which at that time, or thereafter, she was restrained from anticipating (*n*). On this last provision it has recently been held that if a married woman is restrained from anticipating a life income at the date when she made a contract, or at any subsequent date during the marriage, income which accrues therefrom after she becomes discovert, cannot be taken in execution to satisfy a liability on that contract (*o*).

*Barnett v.
Howard*

The whole liability of a married woman is not a personal one, but is a liability as regards her separate estate only (*p*), and any judgment cannot be enforced against her personally. She is not liable to be made a bankrupt merely because she is possessed of separate estate (*q*), but the Married Women's Property Act, 1882 (*r*), now provides that every married woman carrying on a trade separately and apart from her husband, shall in respect of her separate property, be subject to the bankruptcy laws in the same way as if she were a *feme sole*. But here again there is no personal liability, but only a

No personal
liability on
married
woman's part.

(*n*) The Act, however, provides that where an action is brought by a married woman, the Court may order payment of costs out of property which she is restrained from anticipating (sec. 2). See *ante*, p. 405.

(*o*) *Barnett v. Howard* (1900), 2 Q. B., 784; 69 L. J., Q. B., 955; 83 L. T., 301.

(*p*) *Scott v. Morley*, 20 Q. B. D., 120; 57 L. J., Q. B., 43; 57 L. T., 919.

(*q*) *Ex parte Jones, Re Grissell*, 12 Ch. D., 484; 48 L. J., Bk., 109.

(*r*) 45 & 46 Vict., c. 75, sec. 1 (5).

liability in respect of separate property, so that it has been held that as a power of appointment is not, strictly speaking, property, such a power of appointment vested in a married woman, does not pass to her trustee on her bankruptcy, and she cannot be compelled to exercise it for the benefit of her creditors (s).

Summary of exceptions to the general effect of the anticipation clause.

Taking it as a general rule that the anticipation clause is effectual to prevent any disposition by a married woman, and to protect such property from seizure by her creditors, it may be useful to here summarize the exceptions to this, all of which have been, however, already mentioned:—

1. The anticipation clause does not protect her in respect of ante-nuptial liabilities, if she has thus before marriage settled her separate property (t).

2. Property may, notwithstanding the anticipation clause, be impounded to indemnify a trustee where she has instigated, or consented in writing to, a breach of trust (u).

3. Costs in an action, brought by a married woman, may be ordered to be paid out of her separate estate, notwithstanding the anticipation clause (w).

4. On application by a married woman, if for her benefit, the Court has power to enable her to dispose of her property, notwithstanding the anticipation clause (x).

Receipt by husband of income of wife's separate property.

If a married woman, having property to her separate use, does not exercise her right of separate receipt, but permits her husband to receive the income thereof, she cannot ordinarily recover any

(s) *Ex parte Gilchrist, Re Armstrong*, 17 Q. B. D., 521; 55 L. J., Q. B. D., 578.

(t) 45 & 46 Vict., c. 75, secs. 13, 19, *ante*, p. 405.

(u) 56 & 57 Vict., c. 53, sec. 45, *ante*, pp. 406, 407.

(w) 56 & 57 Vict., c. 63, sec. 2, *ante*, p. 405.

(x) 44 & 45 Vict., c. 41, sec. 39, *ante*, p. 409.

arrears thereof from him, for the allowing him to receive it, will usually amount to a gift of it to him, either for the benefit of the family or otherwise (y). If, however, income belonging to the wife has been received by the husband without her authority or tacit acquiescence, she will be entitled to reimbursement from him, or from his estate if he is dead (z). And the principle of the receipt of income by a husband with his wife's consent, constituting a gift to him, has no application as regards capital money belonging to the wife and received by the husband, for the onus of proving a gift of capital to the husband who has received it, lies on him, or those who claim through him (a). In one case, the facts were, that a mortgage belonging to the wife was transferred to the husband, who sold the property as mortgagee, and received the purchase-money, his wife concurring in the conveyance, and no proceedings were taken by the wife against her husband during the remaining period of coverture, about 16 years. The wife had no separate advice, and her concurrence in the conveyance was obtained by the husband. It was held that these facts were not sufficient to establish a gift of the money to the husband (b). In any such case the husband must be considered as holding the money received by him as a trustee for his wife, and the Statute of Limitations cannot be pleaded, it being a case of a trustee who has possessed himself of his *cestui que trust's* money which is excepted from the general provision of the Trustee Act, 1888 (c).

Receipt by
husband of
capital.

*Re Flamank,
Wood v. Cock.*

(y) *Powell v. Hemkey*, 2 P. Wms., 82; *Caton v. Rideout*, 1 Mac. & G., 599.

(z) *Parker v. Brook*, 9 Ves, 583.

(a) *Re Flamank, Wood v. Cock*, 40 Ch. D., 461; 58 L. J., Ch., 518; 60 L. T., 376; *Re Blake, Blake v. Power*, 60 L. T., 663.

(b) *Re Flamank, Wood v. Cock, supra*.

(c) *Wassell v. Leggatt* (1896), 1 Ch., 554; 65 L. J., Ch., 240; 74 L. T., 99. As to Trustees and the Statute of Limitations, see *ante*, pp. 96, 97.

Liability of
husband in
possession of
wife's money.

*Re Dixon,
Heynes v.
Dixon.*

In such a case as last dealt with, it will, however, be observed that it is only the capital the husband has to pay, and not interest on it, at any rate until his wife demands payment, or the husband dies. This must always be the position whenever the husband who is living with his wife has money of hers in his hands. In a recent case (*d*), money belonging to a married woman was by a settlement authorised to be invested on personal security, the interest to be paid to the wife for her life for her separate use, and at her death the interest to be paid to the husband for his life. The money was lent to the husband on his bond, and after this the husband and wife lived together in amity for 24 years, when the wife died. The husband survived her for 20 years, and did not repay the money. During the whole of the wife's life the husband never paid her any interest on the bond, and naturally, on her death, he paid no interest, as he was the person expressly entitled to it. The husband dying, the question arose whether his estate was liable to repay the amount lent, to the representatives of the wife, and it was argued that the debt was statute barred. It was held that, during the life of the wife, the interest must be presumed to have been given to the husband from time to time, so that when she died the debt was still alive, and, this being so, as the husband was, after her death, himself entitled to the interest, there could be no further question of the debt being statute barred. Further, it was held that, notwithstanding the lapse of time, there was no presumption of payment of the bond, or of a gift of the capital by the wife to the husband, and that the debt was, at the husband's death, recoverable from his estate, together with interest from his death.

(*d*) *Re Dixon, Heynes v. Dixon* (1900), 2 Ch., 561; 69 L. J., Ch., 609; 48 W. R., 665; 83 L. T., 129.

On the death of a woman entitled absolutely to property for her separate use, and not having disposed thereof by deed or will, it has long been settled that if it is realty it goes to her heir, subject to the husband's curtesy (*e*), and, if it is personalty in possession, the husband takes it *jure mariti*, and if in action, he also takes it, but only on taking out letters of administration (*f*). The question has, however, been raised whether in the case of property made the separate estate of a married woman, by the provisions of the Married Women's Property Act, 1882, a husband can now have any such right in his wife's undisposed of separate property, as she is to be deemed as a *feme sole*, and a separate individual. In the first edition of this work it was, however, submitted that it was not the intention of the Legislature to take away any rights of the husband on the death of his wife, but merely to protect her estate, and give her the powers of disposition of a *feme sole* during her lifetime, and that the position had not been altered by the provision in question. This has since been decided to be the correct view (*g*); but in whatever way the husband takes, whether *jure mariti* or by taking out letters of administration, he takes subject to his wife's debts (*h*).

Devolution of separate estate on death of married woman.

Re Lambert.

A married woman will be protected by the Court in the enjoyment of her separate property, and the husband will, if necessary, be restrained by injunction from interfering with it (*i*). And, under

Protection to married woman in respect of her separate property.

(*e*) *Cooper v. Macdonald*, 7 Ch. D., 288; 47 L. J., Ch., 373; *Hope v. Hope* (1892), 2 Ch., 336; 61 L. J., Ch., 441; 66 L. T., 522.

(*f*) See 1 Wh. & Tu., 703; Indermaur's Conveyancing, 207-209.

(*g*) *Re Lambert, Stanton v. Lambert*, 39 Ch. D., 626; 57 L. J., Ch., 927; 59 L. T., 429.

(*h*) *Surman v. Wharton* (1891), 1 Q. B., 491; 60 L. J., Q. B., 223; 64 L. T., 866.

(*i*) *Green v. Green*, 5 Hare, 400; *Symonds v. Hallett*, 24 Ch. D., 346; 53 L. J., Ch., 60.

the Married Women's Property Act, 1882 (*k*), any questions of ownership arising between husband and wife, may be decided by summary application to a Judge of the High Court of Justice, or to the Judge of the District County Court, irrespective of the value of the property.

Pin-money. Pin-money is closely allied to separate estate, and may be defined, or described, as an allowance settled upon the wife before marriage for the wife's expenditure upon her person, to meet her personal expenses, and clothe herself according to her proper rank and station (*l*). The provision for pin-money is usually contained in the settlement made upon marriage, but gifts or gratuitous payments may be made from time to time by the husband for the like purposes (*m*).

What arrears
of pin money
recoverable.

The object of the allowance of pin-money being to enable the wife to meet her personal expenses, if she lets it get into arrear she cannot, as a general rule, on her husband's death, claim for more than one year's arrears due prior to his death. Under special circumstances, however, more may be recovered; thus, where a wife, from time to time, demanded the arrears of her pin-money from her husband, and he always promised she should have it, it was held that she was not limited in her claim to one year's arrears, but could recover all arrears due at the husband's death (*n*). If a wife dies, her personal representatives cannot recover any arrears of her pin-money (*o*).

*Ridout v.
Lewis.*

Paraphernalia

Paraphernalia of a wife is a peculiar kind of property possessed by a married woman, somewhat

(*k*) 45 & 46 Vict., c. 75, sec. 17.

(*l*) See *Howard v. Digby*, 8 Bligh, N. R., 259.

(*m*) 1 Wh. & Tu., 726.

(*n*) *Ridout v. Lewis*, 1 Atk., 269.

(*o*) *Howard v. Digby*, 3 Bligh, N. R., 245.

allied to separate estate, but yet held in a very different way (*p*). This paraphernalia consists of such apparel and ornaments of the wife, given to her by her husband, as are suitable to her rank and condition in life, *e.g.*, rings, watches, and other jewellery given to the wife to be worn merely as ornaments (*q*). The property possessed by the wife in her paraphernalia, is of an anomalous character, for she has no power to dispose of it during her husband's life, whilst the husband can dispose of it (except her necessary wearing apparel) either by sale or gift *inter vivos*, though not by will, so that on his death she is absolutely entitled to it, but subject to payment of his debts. The wife's paraphernalia is, however, only liable, in default of all the proper assets of the deceased, and if it is taken by creditors for payment of their debts, when there is any other property available for payment, she is entitled to have the assets marshalled in her favour, so that the amount of her paraphernalia shall be made good to her (*r*). If a husband pledges his wife's paraphernalia, and dies solvent, she is entitled to have it redeemed for her benefit, and this even to the prejudice of any legatees (*s*).

Jewels, ornaments, and the like, not given to a woman by her husband, but by a third party, are not paraphernalia, but are considered as being given to her for her separate use (*t*). Gifts from a husband to his wife may be paraphernalia, or may be separate estate; which it is, depends on the nature and mode of the gift; and gifts of jewellery made by a husband to his wife on occasions such as Christmas Day, and on her birthdays, and to settle differences which had arisen

When jewels, &c., constitute separate estate.

Tasker v. Tasker.

(*p*) See 1 Wh. & Ta., 727-729.

(*q*) *Graham v. Londonderry*, 3 Atk., 394.

(*r*) *Tipping v. Tipping*, 1 P. Wms., 730; see *ante*, pp. 141, 147.

(*s*) *Graham v. Londonderry*, 3 Atk., 393.

(*t*) *Graham v. Londonderry*, *supra*; Story, 947.

between them, have been held not to be paraphernalia, but separate estate, unless it can be shewn that the husband intended to impress the character of paraphernalia upon them, which he can do, for the Married Women's Property Act, 1882, does not affect a gift of paraphernalia (*u*).

Equity to a settlement.

A doctrine of the Court, which has been of great service to married women, is that known as her Equity to a settlement, which may be defined as being a right given to a married woman by the Court, under which she may insist on a settlement being made upon her of property coming to her during coverture, and which might otherwise be seized by her husband. The student will have observed that a wife's personal property, practically, formerly became her husband's (*w*), and the reason, no doubt, was the obligation he was under to provide for his wife. There being, however, no direct mode of enforcing this obligation the Court of Chancery gave the married woman some assistance by an application of the maxim, "He who seeks Equity must do Equity," for when the husband had, as was often the case, to come into Chancery to get his wife's property, the Court would, if it appeared right to do so, refuse to assist him unless he made an adequate settlement on his wife (*x*).

Origin of the doctrine.

Extension of the doctrine.

This, then, was the origin of the doctrine; but as it thus stood it was plainly insufficient, for, in many cases, the husband could obtain his wife's property without having to seek the assistance of the Court of Chancery. The doctrine, however, received a

(*u*) *Tasker v. Tasker* (1895), P., 1; 64 L. J., P., 36; 76 L. T., 779.

(*w*) See *ante*, pp. 395, 396.

(*x*) *Bosvil v. Brander*, 1 P. Wms., 459; see also *ante*, pp. 18, 19.

great extension in the leading case of *Lady Elibank v. Montolieu* (y). There it was held that the wife might come and actively assert her right as a plaintiff; so that when she found her husband was likely to acquire her property without the assistance of the Court, she could come to the Court, and assert and maintain her right to a settlement thereout (z). It was always necessary, however, that she should come to the Court before her husband got possession. The claims of the husband, therefore, to his wife's property were subject to this equity of the wife to have a settlement decreed for her if it appeared to be proper. Thus, in one case a testator bequeathed to his married daughter certain moneys, and this bequest not being made for her separate use, and the provisions of the Married Women's Property Act, 1882, not applying (by reason of the parties having been married, and the property having accrued, prior to that Act coming into operation), the husband became entitled thereto, subject to reducing the same into possession. The husband was, however, indebted to the testator, in an amount exceeding his wife's interest, and the question was whether the executors could set this debt off, or whether the wife could not claim, on the principle of being entitled to equity to a settlement. The Court held that, though the executors had a right to set-off the debt due from the husband against the moneys given to the wife, yet, as the claim of the husband, if there had been no debt, would have been subject to the wife's equity to a settlement, which would, therefore, have been paramount to the husband's claim, the wife's equity must also prevail over the executor's right of set-off (a).

Lady Elibank
v. Montolieu.

Re Briant,
Poulter v.
Shackel.

(y) 1 Wh. & Tu., 621.

(z) See also *Sturgis v. Champneys*, 5 My. & Cr., 105.

(a) *Re Briant, Poulter v. Shackel*, 39 Ch. D., 471; 57 L. J., Ch., 953; 59 L. T., 219.

Equity to settlement not an important doctrine now, and will in course of time become obsolete.

Any lengthened consideration of this subject would be out of place here, because of its practical unimportance, in consequence of the provisions of the Married Women's Property Act, 1882 (*b*); for, as now, generally speaking, all property is to the separate use of a married woman, it is hers, and in no way is it her husband's, and he has, legally speaking, nothing to do with it. The doctrine of equity to a settlement will soon be merely a thing of the past; but it is not quite so at present, for cases may well arise for some time yet, in which it may be necessary to assert this right. It has been already mentioned, that if a woman, married before 1st January, 1883, is entitled to a reversionary interest under some settlement, or will, before that date, it is property which accrued to her when she first acquired such reversionary interest, and although it falls into possession on or after 1st January, 1883, it is not property which has accrued to her since the Act (*c*). Here, then, if personal property, the husband will take it, and the only course to prevent this is for the wife to assert this right. In fact, in the case of *Reid v. Reid*, cited below, this is just what happened; the Court decided that the property was not to the wife's separate use, and that, therefore, the husband was entitled to it, but then subsequently it enforced her claim to a settlement (*d*). The following remarks on the subject of equity to a settlement have, therefore, now but a very limited practical application.

Reid v. Reid.

Out of what property the right attaches.

The right of a married woman to her equity to a settlement, was, for a long time, supposed to be confined to purely personal property of the wife of an equitable nature; but, in modern times, it has

(*b*) See *ante*, p. 396

(*c*) See *ante*, pp. 396, 397; *Reid v. Reid*, 31 Ch. D., 402; 55 L. J., Ch., 294; 54 L. T., 100.

(*d*) *Reid v. Reid*, 33 Ch. D., 220; 55 L. J., Ch., 756; 55 L. T., 153.

acquired a wider range, and is generally applied also to all classes of equitable interests in real estate as well, and also to all cases of real estate of the wife, whether legal or equitable, where the husband is obliged to come to a Court of Equity to enforce his rights against the property (*e*). As regards leasehold property, if of an equitable nature, it appears that the wife is entitled to enforce her equity to a settlement thereout (*f*), but that she is not so entitled if it is a legal term of years (*g*).

Not only can the wife enforce her equity to a settlement against her husband, but also against his trustee in bankruptcy, or his voluntary assignees. With regard, however, to the extent of the right, even in enforcing it against the husband, the Court will not ordinarily take from the husband the income of the property so long as he is willing to live with, and maintain, his wife, and there is no reason for their living apart. The most the Court will do under such circumstances, is to secure the fund, allowing the husband to receive the income (*h*), and, therefore, when this is so, either as against the husband, or his assignee, the settlement agreed will ordinarily be one which provides for the wife, only from her husband's death. But, if the husband is bankrupt, and the wife is enforcing her right against his trustee in bankruptcy, then, as he is taken to be incapable of maintaining his wife, the Court ordinarily decrees a settlement providing for her immediate maintenance (*i*). It, therefore, follows that if a wife is entitled to a life interest only in property, although she can enforce her equity to a

Against whom
the right is
enforced.

(*e*) Story, 959.

(*f*) *Hanson v. Keating*, 4 Hare, 1.

(*g*) *Hill v. Edmonds*, 5 De G. & S., 603; *Heron v. Heron*, W. N., 1887, p. 158.

(*h*) Story, 963.

(*i*) Story, 966.

settlement against her husband's trustee in bankruptcy, she cannot ordinarily do so against him, or against a person to whom he has assigned it.

The amount of the property to be settled on wife.

Although a wife may be entitled to enforce her equity to a settlement, it does not follow that the whole of the property will be settled on her. This is a matter left to the discretion of the Court. The general rule, however, is that, in the absence of special circumstances, half the property only will be settled; but the Court may take into consideration the amount of the wife's fortune already received by the husband, or any previous settlement which may have been made, or the husband's ill conduct, or insolvency, and may, according to circumstances, settle a less, or a greater portion, or even the whole (*k*).

Nature of the right of equity to a settlement.

Equity to a settlement is not property in a wife, but is simply a right that she has to come to the Court and ask for a settlement. It is a right personal to the wife, and may be waived or abandoned, or may be lost by her act (*l*); but if she proceeds to enforce it, and the Court decrees a settlement, that settlement provides also for the children of the marriage (*m*). But, although the children have no independent rights of their own, yet if the Court decrees a settlement on the wife's application, and then the wife dies before a settlement is actually made, the Court will carry out the settlement in their favour, notwithstanding her death (*n*).

*Murray v.
Lord Elibank.*

(*k*) 1 Wh. & Tu., 639; *Reid v. Reid*, 33 Ch. D., 220; 55 L. J., Ch., 756; 55 L. J., 153; *Re Briant, Poulter v. Shackel*, 39 Ch. D., 471; 57 L. T., Ch., 953; 59 L. T., 219.

(*l*) *Hodgens v. Hodgens*, 11 Bligh, N. S., 104.

(*m*) *Johnson v. Johnson*, 1 J. & W., 472.

(*n*) *Murray v. Lord Elibank*, 1 Wh. & Tu., 625.

In ordinary cases, when the Court decrees a settlement, the nature of that settlement is a separate provision for the wife for her life, without power of anticipation, with a power of appointment by her amongst her children, and, in default of appointment to her children by that or any subsequent marriage, equally between them, sons on attaining twenty-one, and daughters on attaining that age or marrying, and, in default of children, to the husband absolutely (o). Nature of the settlement.

A wife will ordinarily lose any right of equity to a settlement, if she is living apart from her husband in adultery (p), unless she is a ward of Court married without its consent (q). A wife may waive her equity to a settlement by appearing in Court and being separately examined by the Judge, or by a commission issued for the purpose of receiving her waiver (r). And, under the provisions of Malins' Act (s), she may release and extinguish her equity to a settlement out of personal property in possession, acquired by her under any instrument (not being a settlement on her marriage), made after 31st December, 1857. How the right lost or waived.

A wife's equitable right by survivorship must be carefully distinguished from her right of equity to a settlement. It consists of her right to her outstanding property, not reduced into possession, if she survives her husband, and it needs no active enforcement by her. Thus, if the husband does not reduce his wife's *choses in action* into possession, or if her reversionary interests in pure personalty do The wife's right by survivorship.

(o) 1 Wh. & Tu., 641.

(p) *Carr v. Eastbrooke*, 4 Ves., 146.

(q) *Ball v. Coutts*, 1 V. & B., 302.

(r) 1 Wh. & Tu., 644.

(s) 20 & 21 Vict., c. 57. The strictly proper title or description of this Act is The Married Women's Reversionary Interests Act, 1857.

not fall into possession during coverture, then, at her husband's death, she has an absolute right by survivorship, and all assignments that may have been made by the husband are of no avail against such right, and this, even although she may have joined in the assignment (*t*), subject, however, to the provisions of Malins' Act, presently mentioned. Any assignment by the husband was not, and could not, from the nature of the thing, amount to a reduction into possession, and her consent during the coverture to any assignment, was not an act binding upon her. Nay, in such a case the wife's consent in Court to the transfer of a reversionary interest to her husband was not allowed. That consent was not acted upon by the Court, except where she had to part with her equity to a settlement, or with her own present and immediate separate property, and was never acted on for the purpose of enabling her to part with her reversionary property, or with her right of survivorship (*u*). This right of survivorship in the wife is superior to any equity to a settlement, and, therefore, as by it she is fully protected as regards her reversionary property, she cannot claim any equity to a settlement thereout, though, of course, she may do so when the reversionary interest falls into possession (*w*). However, now by Malins' Act (*x*), it is provided that every married woman may, with the concurrence of her husband, by deed acknowledged in the manner prescribed by the Fines and Recoveries Act 1833 (*y*), dispose of every reversionary interest, whether vested or contingent, in any personal estate to which she is entitled under any instrument (not

Provision of
Malins' Act.

(*t*) *Purdew v. Jackson*, 1 Russ., 1.

(*u*) Story, 962.

(*w*) *Osborn v. Morgan*, 9 Hare, 434.

(*x*) 20 & 21 Vict., c. 57.

(*y*) 3 & 4 Will. IV., c. 74.

being her marriage settlement) made after 31st December, 1857. There may still, however, be cases in which a married woman is entitled to some such reversionary interest under an instrument executed prior to the above date, and, in that event, her right by survivorship cannot be taken away from her. Thus, in one case, by a will made before Malins' Act came into operation, a testatrix bequeathed a reversionary interest in personal property to a married woman, and by a codicil made since the Act she gave various legacies, and then died. The married woman had professed to dispose of her reversionary interest by deed, together with her husband, and duly acknowledged by her, but the Court held that, as she took her interest entirely under the will, and not under the codicil, and the will was executed before Malins' Act came into operation, although the testatrix died since the Act, she had no power of disposition, and the deed by which she had attempted to assign it was void (z).

*Re Elom,
Laybourn v.
Groves.
Wright.*

Of course, however, now if a woman has married since the 1st January, 1883, any reversionary interest she may be entitled to is held by her to her separate use, under the provisions of the Married Women's Property Act, 1882, and she can, therefore, do what she likes with it; she remains in fact a *feme sole*, in all respects, as regards her property. And even though married before the Act, if the property has accrued to her since the Act, it is to her separate use in the same manner. In course of time, therefore, Malins' Act must necessarily become an obsolete provision, and even now it is not of the same importance that it formerly was.

*Effect of
Married
Women's
Property Act,
1882.*

(z) *Re Elom, Laybourn v. Groves-Wright* (1894) 1 Ch., 303; 63 L. J., Ch., 392; 70 L. T., 54.

Separation
deeds.

It was at one time thought that the Court would never give effect to, and enforce a deed of separation entered into between husband and wife, but it is now well established that it will do so, provided it is not a contract for future, but for present, separation (*a*). It was formerly also considered that the intervention of trustees was necessary in a deed of separation; but this is not so now, and a wife may herself contract with her husband as to the separation (*b*), and such contract may even be by word of mouth (*c*). Manifestly, however, it is advisable that any separation arrangement should be carried out by a proper deed, and in most cases that there should be trustees who may protect the wife's interest, and also covenant to indemnify the husband against her debts. A deed of separation does not alter the legal condition of the wife, but her rights and general position remain the same, subject to any provisions of the deed. The Court has power to enforce specific performance of such a deed, or of an agreement for the compromise of a suit in the Divorce Court, without infringing the provisions of the Judicature Act (*d*), which prohibit interference with proceedings pending in another branch of the Court (*e*).

Presumption
that woman
past child-
bearing.

Before concluding this chapter, it may not perhaps be out of place to draw attention to the fact that the Court will sometimes, as regards a woman, draw a presumption that no child will be born to her. To do so often enables a fund to be immediately divided. Thus, suppose property is given to A (a woman) for life, and then to A's child, or children,

(*a*) Story, 969; *Wilson v. Wilson*, 1 Wh. & Tu., 577.

(*b*) *Re Besant*, 12 Ch. D., 605; 48 L. J., Ch., 497.

(*c*) *McGregor v. McGregor*, 21 Q. B. D., 424; 57 L. J., Q. B., 591.

(*d*) See *post*, p. 432.

(*e*) *Hart v. Hart*, 18 Ch. D., 670; 50 L. J., Ch., 697; 45 L. T., 13. See, generally, as to Articles of Separation between husband and wife, *Wilson v. Wilson*, and notes 1 Wh. & Tu., 577.

absolutely, but if A has no child, then to B absolutely. If A has no child, and the Court is content to presume that no child will ever be born, there may, by arrangement between A and B, be an immediate division of the fund. The Court will never draw a presumption of this kind in the case of a man, however old he may be, but it has often done so in the case of a woman (*f*). Thus, in a very recent case (*g*), a testator bequeathed certain property to trustees in trust for A (a woman) for life, and then for such of her children, equally, as should attain 21. A was born in 1844, and married in 1866, and had only one child who was born within a year of her marriage, and she became a widow in 1890. At the time of the application to the Court she was a little over 56 years of age, and she and the one child sued for a declaration that they together were absolutely entitled to the property, so that they might deal with it, instead of leaving it tied up on the chance that A might marry again and have more children. The Court acceded to the application.

*Re White,
White v.
Edmond.*

(*f*) See *Haynes v. Haynes*, 35 L. J., Ch., 303; *Re Widdow's Trusts*, L. R., 1 Eq., 408.

(*g*) *Re White, White v. Edmond* (1901), 1 Ch., 570; 70 L. J., Ch., 300; 84 L. T., 199.

CHAPTER VII.

INJUNCTIONS.

Definition of an injunction. AN injunction may be defined as a judicial process, whereby a party is required to abstain from doing a particular act, or to do a particular act, in which latter case it is styled a mandatory injunction. The object of the process is generally preventive and protective, rather than restorative, although not necessarily confined to the former; it seeks, however, to prevent a meditated wrong more often than to redress an injury already done (*h*).

Injunctions of two kinds. Injunctions were formerly divisible into two general classes, viz., common injunctions, and special injunctions, and although injunctions of the former class are not now ordinarily granted, it is necessary to give them some consideration.

Common injunctions. By a common injunction is meant an injunction that was granted by the Court of Chancery to restrain proceedings in another Court. This was a power at first arrogated by the Court of Chancery to itself, and much disputed, but finally established. The principle upon which the Court of Chancery claimed this power was, that it was not right to allow a judgment of a Court of Common Law to be made an instrument of oppression and wrong. The Court of Chancery did not pretend to overrule the judgment of a Court of Law, but, acting *in personam*, would make cases restrain a person from proceeding on judgment at Common Law, or from further proceeding in an action there. The Court of Chancery

would so act if the judgment was obtained by fraud, or if the defendant in the Common Law action had what would have been recognised in Chancery as a defence, but was not so recognised there. The matter was the subject of a great dispute between Lord Ellesmere and Lord Coke in the time of James I., and was referred to the King in person, and he decided in favour of the power of the Court of Chancery (*i*).

Equity, therefore, would grant an injunction to restrain proceedings in a Common Law Court, when it was against conscience to allow the party restrained to proceed there. Cases of this kind usually occurred when the defendant in the Common Law action had a defence which Equity would recognize, but which Law would not. The Common Law Procedure Act, 1854 (*k*), endeavoured to remove such a strange state of things as one Court practically restraining proceedings in another, by enacting that equitable pleas and replications might be made use of at Common Law; but the narrow construction put upon this provision by the Courts of Common Law, where it was held that no equitable plea was good unless it disclosed facts which would entitle the party to an absolute and unconditional injunction in Equity, rendered applications to Chancery still necessary in many cases (*l*). Hence, at the time of the passing of the Judicature Act, 1873 (*m*), common injunctions were often granted.

When Equity would grant an injunction of this kind.

Such a state of things is, of course, easily understood when we recognise the fact that Law and

Provisions of the Judicature Act, 1873.

(*i*) See Hallam's Constitutional History, Vol. I., p. 346; Campbell's Lives of the Chancellors, Vol. II., p. 362; *Earl of Oxford's Case*, 1 Wh. & Tu., 730.

(*k*) 17 & 18 Vict., c. 125, sec. 83.

(*l*) 1 Wh. & Tu., 740.

(*m*) 36 & 37 Vict., c. 66.

Equity were two distinct systems, but it would be absurd for that condition of affairs to be existing at the present time, now that Law and Equity are fused, and constitute one complete system under the Judicature Acts, 1873 and 1875. It has, therefore, been provided that no one division of the High Court of Justice can restrain proceedings in another division, but that every matter of Equity, in respect of which an injunction might formerly have been obtained, may be relied on by way of defence in any action (*n*); and that, generally, in all matters in which there is any conflict or variance between the rules of Equity and Law with reference to the same subject matter, the rules of Equity shall prevail.

Effect of these provisions.

The effect of these provisions is, that as the Courts of Law and Equity are no longer distinct, and as the rules of Equity in all cases of conflict prevail over those of Law, in every division of the High Court, an injunction to restrain proceedings on a judgment, or to restrain an action pending in one division of the High Court, can no longer be granted by another division (*o*). However, the High Court may grant an injunction to restrain a person from instituting proceedings in any division contrary to his express agreement, *e.g.*, to restrain a wife from instituting proceedings for the purpose of compelling her husband to cohabit with her, contrary to her express covenant contained in a deed of separation (*p*). And the Court has interfered by injunction to restrain a person, claiming to be a creditor of a company, from presenting a petition to wind up the company, where the debt was *bonâ fide* disputed, and the company was shewn to be solvent (*q*).

Injunction may be granted to restrain persons from instituting proceedings.

(*n*) 36 & 37 Vict., c. 66, sec. 24 (5).

(*o*) *Garbutt v. Fawcus*, 1 Ch. D., 155; 45 L. J., Ch., 133.

(*p*) *Re Besant*, 12 Ch. D., 605; 48 L. J., Ch., 497.

(*q*) *Cercle Restaurant Castiglione Company v. Lavery*, 18 Ch. D., 555; 50 L. J., Ch., 837.

An instance in which the Court of Chancery used formerly to grant an injunction to restrain proceedings in another Court, was, where a decree had been made for the administration of the estate of some deceased person, and actions were pending against the executor or administrator to recover any debt or damages, or in case of the winding-up of companies, where an order had been made for winding-up, and actions were pending against the company.

Restraining proceedings against an executor, or administrator, or a company.

After the passing of the Judicature Acts the proper course in administration proceedings was held to be, to apply, in the particular action brought by the creditor, to stay further proceedings therein, and for the transfer of the action to the Chancery Division (r); but the proper course in winding-up proceedings was the subject of much conflict of judicial opinion, as to whether the application to stay should be to the Chancery Division, or to the division in which the action was pending. All such doubts have been now settled by a direct provision to the effect that, when an order has been made for the administration of the estate of a deceased person, or for the winding-up of any company, the Judge in whose Court such administration or winding-up shall be pending, shall have power to order the transfer to himself of any cause or matter pending in any other Court or division, brought or continued by or against the executor or administrator, or the company, as the case may be (s).

Proper course now.

It may be noticed that, where bankruptcy proceedings are pending in the High Court, an order may be made in bankruptcy, restraining any action or

Restraining proceedings against a bankrupt.

(r) *Re Stubbs' Estate, Hanson v. Stubbs*, 8 Ch. D., 154; 47 L. J., Ch., 671.

(s) Order XLIX., Rule 5.

other proceedings against the person or property of the debtor (*t*). But the County Courts exercising jurisdiction in bankruptcy have no power to restrain proceedings in the High Court against a trustee in bankruptcy, and an application to stay must be made to the High Court in any such action (*u*).

Restraining
proceedings in
a foreign
Court.

Whenever parties are resident here, the Court has power to restrain such persons from proceeding in a Court out of the jurisdiction, whether such a Court is actually the Court of a foreign country, or of Scotland, or Ireland, or of a Colony (*w*). The Court does not interfere upon any pretension to control or over-rule the decisions of such Courts, or to examine judicial or administrative acts abroad, but *in personam* by reason of the party against whom the order is made being within the power of the Court, and that the questions to be determined are such as ought to be adjudicated upon in this country (*x*). The Court still appears to have jurisdiction to restrain proceedings in an inferior Court, *e.g.*, the Lord Mayor's Court (*y*).

Or in inferior
Courts.

Restraining
applications
to Parliament.

Although the Court, manifestly, can have no jurisdiction to restrain an application to Parliament for a public Act, it has been held that there is vested in the Court a power to restrain an application for a private Act, provided a proper case can be made out for the Court's interference, but what would be a proper case for the purpose is very difficult to conceive (*z*). Practically it may be taken that though the Court has such a power, it invariably

(*t*) 46 & 47 Vict., c. 52, sec. 10 (2).

(*u*) *Re Barnett, Ex parte Reynolds*, 15 Q. B. D., 169; 54 L. J., Q. B., 354; 53 L. T., 448.

(*w*) Story, 581, 582.

(*x*) 1 Wh. & Tu., 749.

(*y*) 1 Wh. & Tu., 742.

(*z*) *Heathcote v. The North Staffordshire Railway Company*, 2 Mac. & G., 100.

refuses to exercise it, for the parties objecting to the proposed Act can be heard before the Committees of the Houses of Parliament in opposition to it. But the Court will interfere by injunction to restrain the application of trust funds, or the assets of a company, towards the costs of an application for an Act of Parliament, where they cannot lawfully or properly be so applied (a).

By a special injunction is meant one which is granted to restrain, or compel, the doing of some particular thing, *e.g.*, the committal of waste, or of a nuisance, the infringement of patents, copyrights, or trade marks, the publication of private letters, and other acts which might tend to injure the plaintiff. Special injunctions.

The whole idea of the jurisdiction of the Court in cases of this nature, is to prevent a wrong, and the exercise of this jurisdiction in cases of waste, may be referred to the broadest principles of social justice. The interference of the Court was originally confined to cases founded on a privity of title, *e.g.*, a remainderman against a tenant for life, but, by insensible degrees, the jurisdiction was enlarged to reach cases ^{of} adverse claims and rights not founded on privity, *e.g.*, to cases of trespass attended with irreparable mischief (b). But the Court would formerly only interfere by injunction in cases of trespass, to prevent irreparable mischief, or to suppress multiplicity of suits, and oppressive litigation, for if the trespass were but temporary, and adequate compensation could be obtained in an action at law, the Court would not interfere by injunction, but, if otherwise, then it would. Thus, for instance, the Court would Injunction to prevent waste.

Cases of trespass.

(a) *Simpson v. Denison*, 10 Hare, 51; *Attorney-General v. Corporation of Norwich*, 16 Sim., 225.

(b) *Earl of Talbot v. Scott*, 4 Kay & Johnson, 96.

Provisions of
Judicature
Act, 1873,
sec. 25 (8).

grant an injunction where a mere trespasser dug into and worked a mine to the injury of the owner, because it permanently affected the property (c). And now by the Judicature Act, 1873 (d), it is provided that an injunction may be granted by an interlocutory order of the Court, in all cases in which it shall appear to be just or convenient that such order should be made, and such order may be made with or without conditions, and either before, or at, or after the hearing of any cause or matter, to prevent any threatened or apprehended waste or trespass, and whether or not the person against whom such injunction is sought, is or is not in possession under any claim of title or otherwise, or, if out of possession, does or does not claim a right to do the act sought to be restrained under any colour of title, and whether the estates claimed by both, or either, of the parties are legal or equitable.

Effect of this
provision.

It will be noticed that, under the enactment just referred to, the Court has power to grant an injunction whenever it is just or convenient to do so, and, of course, under it, an injunction to restrain waste, or any other wrongful act, may now be granted by any division of the Court. But it has been held that the effect of this provision is not to alter or extend the principles upon which the Court has always acted in granting injunctions; that, in fact, the Court must be guided by previous decisions as to when it is just and convenient, and that there is no arbitrary power vested in the Court to interfere in this way (e). Thus, in one case, the plaintiffs alleged

(c) Story, 597, 598.

(d) 36 & 37 Vict., c. 66, sec. 25 (8).

(e) *Day v. Brownrigg*, 10 Ch. D., 294; 48 L. J., Ch., 173; *Gaskin v. Balls*, 10 Ch. D., 324; 28 W. R., 552; *North London Railway Company v. Great Northern Railway Company*, 11 Q. B. D., 30; 52 L. J., Q. B., 380; 47 L. T., 383; and see Brett's Eq. Cas., Notes to these decisions, 320-328.

that their house had been called "Ashford Lodge" for 60 years, and that the defendants, whose adjoining house had been called "Ashford Villa" for 40 years, had recently changed the name of their house to "Ashford Lodge," and that this caused considerable expense, and damage, and extreme and increasing personal inconvenience, and annoyance, to the plaintiffs, and the plaintiffs sought an injunction to restrain the defendants calling their residence "Ashford Lodge." The Court of Appeal refused to accede to the application, although no doubt what was occurring was inconvenient, and perhaps unjust to the plaintiffs. The Court decided that there was no legal right to a particular name for a residence, and that, therefore, there was no violation of a right; and, that this being so, it was not for the Court to say that because the defendants were doing something which was not perhaps morally right, that it should therefore interfere, and that the Court could only do so, when there was an invasion of a legal or equitable right (*f*).

Day v. Brownrigg.

In most cases of waste and trespass, there has always been an action at law for damages, and the granting of an injunction was only an additional remedy afforded in Equity. In the one case, however, of a tenant for life holding without impeachment for waste, the Courts of Law held that the tenant for life was justified in doing anything that he chose, and the only remedy was in Equity. The Court of Chancery would grant an injunction to restrain such a tenant from pulling down the family mansion house, or cutting ornamental timber, upon the principle that there was an implied trust in favour of the remainderman, and that it was unjust to allow the tenant for life to injure him to

Equitable waste.

(*f*) *Day v. Brownrigg*, 10 Ch. D., 294; 48 L. J., Ch., 173; Brett's Eq. Cas., 320.

this extent (*g*). This was, therefore, styled equitable waste. Now, under the provisions of the Judicature Act, 1873 (*h*), a tenant for life without impeachment for waste, can be made liable for such acts in damages, and restrained by injunction, in any division of the Court.

Injunctions
against
nuisances.

Public
nuisances.

Relator.

Soltau v.
De Held.

Private
nuisances.

With regard to injunctions to restrain nuisances, a distinction must be observed between such as affect the community at large, that is, public nuisances, and those which only affect particular individuals, that is, private nuisances. The remedy for a public nuisance is by indictment at Common Law, or by an information in Chancery, in the name of the Attorney-General, for an injunction. Any individual affected by a public nuisance can bring the matter before the Attorney-General, and obtain his fiat to commence proceedings in his name, and such person is then called the relator, and has the conduct of the proceedings, and is liable for the costs. An injunction can be obtained in this way to prevent the stopping up of a public highway, or the carrying on of any noxious occupation, or, indeed, the doing of any act which will affect a whole neighbourhood. But, in addition to this, it must be noticed that if the nuisance, though a public one, affects a private individual more than the community at large, he may maintain an action for an injunction in his own name, *e.g.*, where a person lives close to a place where a bell is continually rung, and which constitutes a nuisance to the neighbourhood, for he, by his proximity to the nuisance, is more injured than his neighbours (*i*). The remedy in respect of a private nuisance is, of course, an action for an injunction by the individual affected, *e.g.*, to restrain

(*g*) *Garth v. Cotton*, 2 Wh. & Tu., 971.

(*h*) 36 & 37 Vict., c. 66, sec. 25 (3).

(*i*) *Soltau v. De Held*, 2 Sim. (N. S.), 133.

noxious vapours, or smoke (*k*), or the obstruction, or pollution of a stream running by the plaintiff's land (*l*), or any other wrongful or injurious acts.

As to what will constitute a nuisance, that is a question of fact in every particular case. A person may be carrying on a perfectly lawful trade, in a perfectly lawful manner, but yet what he does may constitute a nuisance. Generally, the Court, in determining whether the user by a person of a building occupied by him constitutes an actionable nuisance to his neighbour, must have regard to the question whether he is using the building in a reasonable and usual manner, for the ordinary purposes for which it was intended (*m*). If, however, it is impossible to use the premises for the particular purpose without constituting a nuisance, it is impossible to justify the use of them in such a manner, for a reasonable nuisance has no existence at law, and if a man so carries on his business as to create a nuisance, he is acting unreasonably, and ought to be restrained by injunction (*n*).

What will constitute a nuisance.

But, in all cases in which it is desired to restrain an alleged nuisance, the Court will only grant an injunction where the matter is clearly made out, upon determinate and satisfactory evidence, for if the evidence be conflicting, or the injury is doubtful, the Court will not thus interfere. And, as a general rule, and subject to what the Court in particular cases may consider just and convenient, for the Court to grant an injunction, the injury complained of must be such as from its nature is not susceptible

General principles as to granting injunctions against nuisances.

(*k*) *Broadbent v. Imperial Gas Company*, 7 De G., M. & G., 436.

(*l*) *Kensit v. Great Eastern Railway Company*, 27 Ch. D., 122; 54 L. J., Ch., 19; 51 L. T., 862.

(*m*) *Sanders-Clarke v. Grosvenor Mansions Company* (1900), 2 Ch., 373; 69 L. J., Ch., 579; 82 L. T., 578.

(*n*) *Attorney General v. Cole* (1901), 1 Ch., 205; 70 L. J., Ch., 148; 83 L. T., 725.

of being adequately compensated by damages, or such as from its continuance, or permanent mischief, must occasion a constantly recurring grievance, which cannot be prevented except by an injunction (*o*).

Injunctions
against
infringement
of patents,
copyrights,
and trade
marks.

The reason that the Court interferes by injunction to restrain an infringement of a person's patent, copyright, or trade mark, is for the purpose of preventing irreparable mischief, and multiplicity of suits; for it is evident that, if no other remedy could be given in such cases than an action for damages, the injured person might be ruined by the necessity of perpetual litigation, without ever being able to have a final establishment of his rights (*p*).

Patents and
trade marks.

The law as to patents and trade marks, is mainly contained in the Patents, Designs, and Trade Marks Acts, 1883 and 1888 (*q*). A patent may be granted for a period of fourteen years, and may be renewed for a further period of seven, or fourteen years, according to circumstances. It is not, as a matter of course, that the Court protects the proprietor of a patent by granting an injunction against its infringement. The validity of the patent must first be established by a trial, or the patent must have been in public use for some considerable time for the Court to thus interfere (*r*). As to a trade mark, for the Court to interfere, it must have been duly registered, and bare registration is sufficient *prima facie* proof of title, and if registered five years, then the Act makes the party's title conclusive provided that the registration was rightful. But if

(*o*) Story, 592.

(*p*) Story, 600, 602. As to patents, copyrights, and trade marks, generally, see Williams' Personal Property, Part II., Ch. 7; Goode's Personal Property, Chapters 13-15.

(*q*) 46 & 47 Vict., c. 57; 51 & 52 Vict., c. 50.

(*r*) Story, 601.

the alleged trade mark was a device in fact incapable of being properly registered as a trade mark, the fact that it has been on the register for five years and upwards, does not improve the position of the party claiming it as his trade mark, and an application may still be made to expunge it from the register (s).

Copyright is governed mainly by the Copyright Act, 1842 (t), and exists in an author for the period of his life and seven years afterwards, or for the period of forty-two years from publication, whichever is the longer. No copyright can exist, consistently with principles of public policy, in any work of a clearly irreligious, immoral, libellous, or obscene description; and, therefore, the Court will not interfere by injunction in cases where there is even a doubt that the work is of such a nature, until that doubt has been removed by a trial (u).

Closely allied to the granting of injunctions to restrain the infringement of copyright, is the granting of injunctions to restrain the publication of letters without the consent of the writer. This the Court will do, not only where the letters form literary compositions, but, also, even in the case of merely private letters (v). The law upon this subject is plain, and has long existed, and has been thus concisely stated:—"The property in letters remains in the person to whom they are sent. The right to retain them remains in the person to whom the letters are sent, but the sender of the letters has still that kind of interest, if not property, in the letters which gives him a right to restrain any use being made of the communications which he has

Injunction
against the
publication of
letters.

(s) *Re Wragg's Trade Mark*, 29 Ch. D., 551; 54 L. J., Ch., 391; 52 L. T., 467.

(t) 5 & 6 Vict., c. 45.

(u) Story, 602.

(v) *Earl of Lytton v. Devey*, 27 Ch. D., 28; 54 L. J., Ch., 293.

made in the letters so sent by him. But there is one qualification, one exception it may be said, to that general principle, that is if the letters contain materials which it is necessary for the sendee to use for his own justification, or for vindicating his character from any charges which are brought against him " (x).

Other
instances of
injunctions.

Some few other particular instances in which the Court will interfere by granting an injunction may also be mentioned. An injunction will be granted to restrain the sailing of a ship contrary to agreement with another person, or where it would be contrary to good faith with other part owners (y). In many cases where a person has expressly contracted not to do an act, the Court will also so interfere, *e.g.*, to prevent an actor from infringing an agreement whereby he has agreed in express terms to act exclusively at one place and not elsewhere (z) ; or to prevent a person setting up a business contrary to a valid covenant he has entered into not to do so (a). And if a person sells the goodwill of his business, and does not covenant not to carry on a similar business, although the Court will not restrain him from again setting up in business, it will restrain him from in any way representing that he is still carrying on the old business, and also from soliciting the customers of the former business to deal with him (b).

(x) Per Bacon, V. C., in *Earl of Lytton v. Dewey*, *supra*, and see *Labouchere v. Hess*, 77 L. T., 559.

(y) Story, 621.

(z) *Lumley v. Wagner*, 1 De G., M. & G., 604. There must, however, be an express negative stipulation, *Whitwood Chemical Company v. Hardman* (1891), 2 Ch., 416 ; 60 L. J., Ch., 428 ; 64 L. T., 716 ; Story, 622. See *ante*, p. 279.

(a) Story, 617 ; *Dubowski v. Goldstein* (1896), 1 Q. B., 478 ; 74 L. T., 180.

(b) *Trego v. Hunt* (1896), A. C., 7 ; 65 L. J., Ch., 1 ; 73 L. T., 514 ; Brett's Eq. Cas., 300, reversing *Pearson v. Pearson*, 27 Ch. D., 145 ; 54 L. J., Ch., 32. See also *ante*, pp. 163, 164 ; and *Gillingham v. Biddow* (1900), 2 Ch., 242 ; there referred to.

but does not follow that in all cases in which a person has entered into a covenant not to do a certain thing, that the Court will interfere, by injunction, to prevent a breach, although the covenant may be in itself perfectly legal; for the granting of the injunction is a matter of discretion, and the Court may consider it more equitable to refuse this relief, and leave the injured party to his remedy of an action for damages (c). Thus, where a covenant is entered into by a servant, by which he expressly agrees during the term of his employment not to be concerned in any other business, although the covenant is legal, the Court will not grant an injunction (d). To quote the words of Lord Justice Lindley: "The real difficulty which has always to be borne in mind when specific performance, or injunctions to enforce agreements involving personal services, are in question, is this—that this Court never will enforce an agreement by which one person undertakes to be the slave of another" (e).

Granting
injunction a
matter of
discretion.

An injunction will be granted quite irrespective of trade mark, to prevent a person from fraudulently imitating the get-up of another's goods by means of labels, style, or name, or in any way so displaying or advertising his business or goods, as to deceive the public (f). And if a person's goods on the face of them, and having regard to surrounding circumstances, are calculated to deceive, evidence to prove the intent to deceive is unnecessary, since a man must be taken to have intended the reasonable and natural consequences of his own acts. If, on the other hand, a

Injunction to
restrain
fraudulent
imitation.

(c) See also *post*, pp. 447, 448.

(d) *Ehmann v. Bartholomew* (1898), 1 Ch., 671; 67 L. J., Ch., 319; 78 L. T., 646; *Robinson v. Hewer* (1898), 2 Ch., 451; 67 L. J., Ch., 644; 79 L. T., 281.

(e) Per Lindley, L. J., in his judgment in *Robinson v. Hewer*, *supra*.

(f) Story, 613.

*Readaway v.
Banham.*

*Lever v.
Beddingfield.*

mere comparison of the goods, having regard to the surrounding circumstances, is not sufficient, then it is allowable to prove from other sources that what is, or may be, apparent innocence, was really intended to deceive (*g*). On the same principle, a person cannot take the name or style of another firm, and use it as his own in the same kind of business; for though there is no copyright in a name, to allow him to do this would be to deceive the public, and this principle applies where, although the change of name was not originally made for the purpose of deceit, and with the intention of using the new name in the business in question, yet it is afterwards so sought to be used (*h*). Nor is a manufacturer entitled to call his goods by a name, or description, which has become associated with the goods of another manufacturer, even though it may be just as much a substantially correct description of the goods he makes and sells, if the effect of the user of the name or description, would be to mislead purchasers into the belief that they were buying the rival manufacturer's goods (*i*). That this would be so must be shewn as a fact, and the mere circumstance that that was the intention is not sufficient (*k*). A person cannot however be restrained from using his own name, although it may be identical with that of another person engaged in the same kind of business, and who has acquired a reputation (*l*). But a person may be restrained from selling his name to a company for the purpose of such company setting up

(*g*) *Saxlehner v. Apollinaris Company* (1897), 1 Ch., 893; 66 L. J., Ch., 533; 76 L. T., 617.

(*h*) *Pinet & Cie v. Maison Louis Pinet* (1895), 1 Ch., 179; 67 L. J., Ch., 41; 77 L. T., 613.

(*i*) *Readaway v. Banham & Company, Limited* (1896), A. C., 199; 65 L. J., Q. B., 381; 74 L. T., 289; *Birmingham Vinegar Brewery Company v. Powell* (1897), A. C., 710; 66 L. J., Ch., 763; 76 L. T., 792; *Valentine Meat Juice Company v. Valentine Extract Company*, 83 L. T., 259.

(*k*) *Lever v. Beddingfield*, 80 L. T., 100.

(*l*) *Burgess v. Burgess*, 3 De G., M. & G., 896. Compare with this case the recent decision in *Cash, Limited v. Cash*, 82 L. T., 655.

business under his name, to the detriment of another person of the same name in a similar way of business (m).

Upon the principle that in a member's club each member has an interest therein in the nature of property, and that the committee are a quasi-judicial tribunal, and bound to act in accordance with the ordinary principles of justice, and to strictly follow out its rules, the Court has, in some cases, granted an injunction to restrain the expulsion of a member from the club (n). Thus, in one case, a resolution had been passed to expel the plaintiff from the club, on the ground that his conduct was injurious to its interests, and on a motion to restrain the committee from interfering with the enjoyment by the plaintiff of the use and benefit of the club, the Court held, on the facts of the case, that the committee had not, as required by the rules, made full enquiry into the plaintiff's conduct; also that the plaintiff had had no notice of any definite charge, and that there were other irregularities in the course of procedure, so that the rules of the club had not been strictly complied with, and an injunction as asked by the plaintiff was granted (o). But the Court will not interfere unless it can be shewn that what has been done is contrary to the rules, or that there have been *malá fides*, or malice, in arriving at the decision, or that the rules are contrary to natural justice (p). And the Court will not give any assistance by way of injunction in the case of a proprietary club, because the jurisdiction of the Court is based upon the right of property vested in the member; and in the case of a proprietary club there is no such

When an injunction will be granted to restrain expulsion of member from a club.

Labouchere v. Earl of Wharncliffe.

Baird v. Wells.

(m) *Tussaud v. Tussaud*, 44 Ch. D., 678; 59 L. J., Ch., 631; 62 L. T., 633.

(n) *Fisher v. Keane*, 11 Ch. D., 353; 49 L. J., Ch., 11; *Labouchere v. Earl of Wharncliffe*, 13 Ch. D., 346.

(o) *Labouchere v. Earl of Wharncliffe*, *supra*.

(p) *Dawkins v. Antrobus*, 17 Ch. D., 615; 44 L. T., 557.

right of property in the members, but they have each merely a right to use the club premises on payment of a subscription (*q*).

The Court will restrain the publication of a libel.

Before the Judicature Acts it was held that the Court of Chancery had no power to grant an injunction to restrain the publication of a libel or slander, because its power was confined to cases where there was an injury, either actual or prospective, to property; but since the Judicature Acts it has been held that injunctions may be granted in such cases (*r*). This jurisdiction, to the fullest extent, can only be said to have been recently thoroughly established, for at first the Court would only interfere by injunction in cases of libels affecting a man's property, trade, or business (*s*); but in later cases it has been held that the Court can in its discretion interfere by injunction in any case (*t*). Furthermore, it has been decided that the Court can even interfere by an interlocutory injunction (*u*); but as this is a very strong step, practically anticipating the decision of a jury, it has been laid down that the jurisdiction ought only to be exercised in the clearest cases, where any jury would say that the matter complained of was libellous, and where, if the jury did not do so, the Court would set aside the verdict as unreasonable (*w*). The Court will also interfere, by injunction, to restrain any publication in a newspaper

Even on an interlocutory application sometimes.

Newspaper comments.

(*q*) *Baird v. Wells*, 44 Ch. D., 661; 59 L. J., Ch., 673; 63 L. T., 312.

(*r*) *Story*, 618.

(*s*) *Thorley's Cattle Food Company v. Massam*, 6 Ch. D., 582; 46 L. J., Ch., 713; *Thomas v. Williams*, 14 Ch. D., 864; 49 L. J., Ch., 605; *Hermann-Loog v. Bean*, 26 Ch. D., 306; 53 L. J., Ch., 1128; *Bonnard v. Perryman* (1891), 2 Ch., 269; 60 L. J., Ch., 617; 65 L. T., 506.

(*t*) *Salomons v. Knight* (1891), 2 Ch., 294; 60 L. J., Ch., 743; 64 L. T., 589.

(*u*) *Salomons v. Knight*, *supra*.

(*w*) *Bonnard v. Perryman* (1891), 2 Ch., 269; 60 L. J., Ch., 617; 65 L. T., 506; *Monson v. Tussaud* (1894), 1 Q. B., 671; 63 L. J., Q. B., 454; 70 L. T., 335.

INJUNCTIONS.

pending the trial of an action, of matter which might tend to prejudice a fair trial, either by creating a bias in the public mind, or the mind of any particular person, or by influencing a witness who might be called at the trial (x). Generally, it must be borne in mind that, under the provisions of the Judicature Act, 1873, before referred to (y), the Court has a general power in its discretion, to grant an injunction in all cases in which it seems either just or convenient so to do, provided that there is some infringement of a legal or equitable right; and an injunction may be equally granted in any division of the Court, whether that is the direct relief sought, or damages are the direct relief sought, and the injunction is only asked for as ancillary thereto.

But, as has already been pointed out, the granting of an injunction is a matter resting entirely in the discretion of the Court, and consequently no injunction will be granted if it will operate oppressively, or inequitably, or contrary to the real justice of the case. Thus, though the Court will ordinarily interfere to restrain waste, the Court will not do so where, though the act technically comes within the definition of waste, yet it is really of an ameliorative nature—that is, altering property in a way that does not injure, but rather tends to improve it (z). So, also, where a person has covenanted not to deal with his property in a certain manner, the object of such covenant being the protection of surrounding property belonging to the covenantee, and the covenantee by his own act or omission then causes a change in the nature, or character, of the surrounding property, which would render the enforcement of the

When the Court will refuse an injunction

Sayers v. Collyer

(x) *Guilding v. Morel*, 84 *Law Times Newspaper*, 206; *Law Students' Journal*, February, 1889, p. 29.

(y) See *ante*, p. 436.

(z) *Doherty v. Allman*, 3 App. Cas., 709; 26 W. R., 513.

restrictive covenant unreasonable, the Court will not grant an injunction (*a*). And, in such a case, even though the change in the nature or character of the surrounding property has not been brought about by the covenantee's own act or omission, so that this principle would not apply, yet if the covenantee has been guilty of any acquiescence, or of laches in coming to the Court, an injunction will not be granted (*b*).

Acquiescence
and laches.

So also an injunction will not be granted to restrain the further erection of a building, where the partial erection has been acquiesced in, or encouraged, by the party seeking the relief; nor will an injunction be granted in cases of gross laches or delay by the party seeking the relief, in enforcing his rights, as where a patentee has lain by and allowed the infringement to go on for a long time without seeking redress. The Court constantly declines to lay down any rule which shall limit its power and discretion as to the particular cases in which injunctions shall be granted or withheld (*c*).

Granting
damages in
addition to,
or instead of
injunction.

In any action for an injunction the Court has power, if it thinks fit, to award damages to the plaintiff, either in addition to, or in substitution for such injunction (*d*). The Court will generally award damages instead of granting an injunction, if the injury to the plaintiff's legal right is small, is capable of being estimated in money, can be adequately compensated by a small money payment, and the

(*a*) *Duke of Bedford v. Trustees of British Museum*, 2 My. & R., 552; *Sayers v. Collyer*, 28 Ch. D., 103; 54 L. J., Ch., 1; 51 L. T., 723; *Knight v. Simmonds* (1896), 2 Ch., 294; 65 L. J., Ch., 583; 74 L. T., 563; *ante*, p. 284.

(*b*) *Sayers v. Collyer*, *supra*.

(*c*) Story, 623, 624.

(*d*) 21 & 22 Vict., c. 27; and though this Act was repealed by the Statute Law Revision Act, 1883 (46 & 47 Vict., c. 49), its principle is preserved. (*Sayers v. Collyer*, *supra*.)

case is one in which it would be oppressive to grant an injunction (e).

Injunctions may be either perpetual, or interlocutory. A perpetual injunction is granted at the hearing of a cause, and an interlocutory injunction is granted at some time previously to the hearing, extending until the hearing, or for some less time. Before granting an interlocutory injunction the Court ought to be satisfied that there is a serious question to be tried at the hearing, and that on the facts before it there is a probability that the plaintiff is entitled to relief (f). An interlocutory injunction is, in fact, granted for the purpose of keeping matters in *statu quo* until the hearing, and in cases of a very pressing nature the Court even goes so far as sometimes to grant an *ex parte* injunction—that is an injunction on the application of the plaintiff without notice to the defendant—for a short time, until the matter can be properly heard, so as to prevent an immediately threatened injury. In all cases of applications for interlocutory injunctions, however, the Court will only grant such an injunction upon the terms of the plaintiff undertaking to abide by such order as the Court may think fit to make thereafter, should it ultimately be of opinion that no injunction ought to have been granted, and that damages have been caused thereby to the defendant. Where the plaintiff obtains an interlocutory injunction upon giving such an undertaking, the defendant is entitled to the benefit thereof, even though it should afterwards be decided that the injunction was wrongly granted by the mistake of the Court itself (g).

Different kinds of injunctions.

Ex parte injunction.

Usual terms imposed on granting an interlocutory injunction.

(e) *Shelfer v. City of London Electric Lighting Company* (No. 1) (1895), 1 Ch., 287; 64 L. J., Ch., 216; 72 L. T., 34.

(f) *Preston v. Luck*, 27 Ch. D., 497; 33 W. R., 317.

(g) *Griffiths v. Blake*, 27 Ch. D., 474; 53 L. J., Ch., 965; 50 L. T., 386.

Mandatory
injunctions.

The Court will sometimes even grant a mandatory injunction, that is, one compelling the doing of a certain act for the purpose of restoring things to their former condition. Thus, where, after commencement of an action to restrain building operations, as infringing the plaintiff's right to light, the defendant has endeavoured to anticipate the Court's order by hurrying on the building, the Court can, and will in a proper case, order the erection to be pulled down (*h*).

Enforcing
injunction.

The remedy to enforce an injunction is ordinarily attachment, under which the Court can commit the person to prison for contempt, but it can also be enforced by sequestration. If an injunction is disobeyed recklessly, or intentionally, the Court will always commit the party for contempt on application being made to it so to do; but if the disobedience is merely casual and accidental, and the circumstances negative any suggestion of contumacy, though the Court will condemn the disobedient party in costs, it will refuse attachment of the person, or sequestration of his property (*i*). The Court has jurisdiction to commit for contempt a person who is not a party to the action, and against whom no injunction has been granted, if it is shewn that with knowledge of the injunction he has aided and abetted a breach of it (*k*).

Writ of
Ne exeat regno.

A writ of *Ne exeat regno*, being very much in the nature of a injunction, may properly be referred to here. It is a writ which is issued in certain cases, to prevent a person from leaving the realm. The origin of the writ is obscure, but undoubtedly in

(*h*) *Gaskin v. Balls*, 13 Ch. D., 324; Brett's Eq. Cas., 320, 323.

(*i*) *Fairclough v. Manchester Ship Canal Company*, C. A. (1897), W. N., 7; *Law Students' Journal*, March, 1897, p. 50.

(*k*) *Seaward v. Patterson* (1897), 1 Ch., 545; 60 L. J., Ch., 267; 76 L. T., 215.

early times it was applied only to great political objects and purposes of State, for the safety or benefit of the realm. In later times, however, it came to be applied to merely civil purposes in aid of the administration of justice in cases of equitable debts and claims (*l*), *e.g.*, to prevent a trustee leaving the country where he had not accounted to his *cestui que trust*. It was, however, only applied to equitable, and not to legal claims, except in two cases, *viz.*: (1) Where alimony had been decreed to a wife; and (2) Where a balance was admitted by a defendant, but the plaintiff claimed a larger sum.

But Law and Equity being now fused by the Judicature Act, 1873, there is no longer any practical distinction between an equitable and a legal debt. Therefore as provision has been made by the Debtors Act, 1869, for the arrest of a debtor in certain cases when he is going abroad (*m*), the writ will only be issued in cases coming within its provisions; that is to say, the debt or claim must be to the extent of £50 at least, and, except in the case of a penalty, other than a penalty under a contract, it must be shewn that the absence of the defendant from England will materially prejudice the plaintiff in the prosecution of his action (*n*).

Effect of the
fusion of Law
and Equity.

Drover v.
Beyer.

(*l*) Story, 1003-1006.

(*m*) 32 & 33 Vict., c. 62, sec. 6. See Indermaur's Principles of Common Law, 378.

(*n*) *Drover v. Beyer*, 13 Ch. D., 242; 49 L. J., Ch., 37; 41 L. T., 393.

CHAPTER VIII.

JURISDICTION OF THE COURT OF AN EXCEPTIONAL NATURE.

Action to
perpetuate
testimony.

IN certain cases the Court will entertain an action brought by a person, not to obtain redress in respect of an injury, or to enforce a right, but merely to perpetuate or preserve testimony. In doing this, the Court of Chancery was said to act merely in an auxiliary manner, for the matter might be one within the jurisdiction of the Courts of Common Law, and all that the Court of Chancery did was to preserve evidence to enable the person to prosecute his right there at a later time.

The essence of
such an action.

The essence of a proceeding of this character has always been that the plaintiff has some right which he cannot yet litigate, and that he fears that when the day arrives for litigation, the evidence which would support his right may be no longer obtainable, through death of the witnesses, or otherwise. In such cases the Court will allow the evidence to be taken, that it may be preserved for the future day when the litigation takes place. The plaintiff must have some real interest in the matter in respect of which he desires to perpetuate evidence, and if his interest is capable of being immediately barred by the defendant, the Court will not give the relief sought; thus the Court will not entertain such an action brought by a remainderman against a tenant-in-tail in possession (c).

Extent of the
jurisdiction.

Originally the Court would only perpetuate testimony in respect of an actual right to either real or

personal property (*p*); but it was afterwards enabled to do so in respect even of a mere chance of succession, *e.g.*, on behalf of an heir-at-law, or in respect of an honour, title, or dignity (*q*).

An action to perpetuate testimony is not ordinarily brought to a hearing, for there is nothing to hear, the whole design being the preservation of the evidence. When the evidence is taken the proceedings usually terminate, and the plaintiff pays the defendant's costs, unless, indeed, the defendant has taken advantage of the proceedings to perpetuate testimony also on his own behalf, when usually each party pays his own costs. But this is only a general rule, and the costs of an action to perpetuate testimony are, as in other actions, in the discretion of the Court, and it would appear that either of the parties is entitled, if he so desire, to bring the action to trial, for the purpose of determining the question of costs (*r*).

Action to perpetuate testimony not ordinarily brought to a hearing.

To entitle a party in subsequent litigation to use evidence that has been taken in an action to perpetuate testimony, he must, unless the other party consents to it being used, show that the deponent is dead, or beyond the jurisdiction of the Court, or unable, from sickness, or other infirmity, to attend the trial (*s*).

When a person may use evidence so taken.

There was formerly another kind of proceeding with reference to evidence, called a bill to take evidence *de bene esse*. This was a suit brought in

Bill to take evidence *de bene esse*.

(*p*) *Townshend Peerage Case*, 10 Cl. & Fin., 289; *Dursley v. Fitzhardinge*, 6 Ves., 251.

(*q*) 5 & 6 Vict., c. 69. This statute was repealed by the Statute Law Revision Act, 1883 (46 & 47 Vict., c. 49), but its provisions are in substance now contained in Order XXXVII., Rules 35-38, which now regulate the practice on the subject.

(*r*) *Indermaur's Manual of Practice*, 235, 236.

(*s*) Order XXXVII., Rule 18.

Chancery, when an action was pending at Common Law, asking to have the evidence taken of aged or infirm witnesses, or of a witness going abroad, or of a single witness in support of a case, even though not aged or infirm, or going abroad. The idea was that before the trial could come on, the evidence might be lost, and the Court of Chancery, therefore, here acted as an auxiliary to the Courts of Common Law. The broad distinction between a bill to take evidence *de bene esse*, and a bill to perpetuate testimony was, that the latter could only be brought in respect of a future right which could not be litigated at that time, whilst a bill to take evidence *de bene esse*, could only be brought when an action was pending, and not before (*t*).

Now obsolete. By reason of powers given by various statutes to the Courts of Law to examine witnesses before trial, the jurisdiction of the Court of Chancery to take evidence *de bene esse* has long been practically obsolete, and such an action could not be maintained now, the Division in which the action is pending having full power, on an interlocutory application, in the particular action, to order the examination upon oath before the Court, or any judge, or any officer of the Court, or any other person, and at any place, of any witness or person (*u*).

Discovery. Another matter of special relief formerly given by the Court of Chancery has also long become obsolete in like manner, viz., Discovery. Of course, in a sense, in nearly every proceeding in Equity, discovery is a part of the relief sought—that is using the word in its widest application; but by a Bill for Discovery, strictly so called, was meant a bill which asked for

(*t*) Story, 1029, 1030.

(*u*) Order XXXVII., Rule 5; Indermaur's Manual of Practice, 176, 177.

no relief, but which simply sought the discovery of facts resting in the knowledge of the defendant, or the discovery of deeds, or writings, or other things, in the possession or power of the defendant, in order to maintain the right or title of the party asking it in some suit or proceeding at law (*w*). Here, again, the Court of Chancery acted as an auxiliary to the Courts of Common Law, and enabled the plaintiff to get what he sought, and then, informed and strengthened by that, to return to the Common Law Court, and proceed with his action there. The plaintiff, however, was indulging in something outside the action, and had to pay his own costs of getting the discovery. But Bills for Discovery have long been obsolete, power having been conferred, by various statutes, on the Courts of Common Law, of granting discovery as an interlocutory step in the existing action; and there are, of course, now full provisions to this effect under the existing Judicature practice (*x*). It has been decided that our Courts will not grant discovery in aid of proceedings in a foreign Court (*y*). Obsolete.

The Court of Chancery has never had any general jurisdiction over wills, and the proper tribunal at the present day with regard to them, is the Probate Division of the High Court of Justice. In some cases, however, the Court has exercised a practical jurisdiction, founded upon considerations of suppressing interminable litigation, and to give security and repose to titles, by enquiring, at the instance of devisees and others, into the validity of a will, and establishing it, and granting a perpetual injunction against the heir-at-law and others, to restrain them Proceedings to establish wills.

(*w*) Story, 1010.

(*x*) See Indermaur's Manual of Practice, 128-139.

(*y*) *Dreyfus v. Peruvian Guano Company*, 41 Ch. D., 151; 58 L. J., Ch., 471; 60 L. T., 216.

When Probate
Division has
no jurisdiction.

Provision of
Land Transfer
Act, 1897,
hereon.

Proving a will
in Chancery.

from contesting its validity in future (z). It appears useless to consider the details of the principles on which the Court formerly acted in this manner, for the validity of nearly all wills may now be determined in the Probate Division (a). It must be borne in mind, however, that the Probate Division has until lately had no jurisdiction over a will dealing only with real estate, and not containing the appointment of an executor, and this even although the will directed a conversion of the real estate (b). In exceptional cases of this kind, therefore, an action has hitherto been allowed to be brought in the Chancery Division, in the nature of a bill to establish the will, being by the devisee under the will against the heir-at-law (c). But as regards deaths occurring on and after 1st January, 1898, the Land Transfer Act, 1897 (d), now specially provides that probate, and letters of administration, may be granted in respect of real estate only, although there is no personal estate, and the jurisdiction of the Chancery Division, as just mentioned, will, therefore, no doubt, be no longer exercised in cases coming within the Act, and may be treated as obsolete. Where a devisee does not want strictly to establish a will in Chancery, but fears that he may hereafter be attacked by the heir-at-law, he has hitherto been allowed to bring an action against the heir to perpetuate the testimony of the witnesses thereto, and it is apprehended that such a proceeding will still be allowed notwithstanding the provision of the Land Transfer Act, 1897. Such a proceeding as this is what is meant

(z) Story, 990, 991.

(a) *Allen v. McPherson*, 1 H. L. Cas., 191; *Melluish v. Milton*, 3 Ch. D., 27; 45 L. J., Ch., 836.

(b) *In the goods of Jane Barden*, L. R., 1 P. & D., 325.

(c) *In the goods of Jordan*, L. R., 1 P. & D., 555; 37 L. J., P. & M., 22.

(d) 60 & 61 Vict., c. 65, sec. 1 (3).

by proving a will in Chancery, and the rule is that the heir is entitled to his costs even though he disputes the will (*e*).

The Court of Chancery has long exercised a jurisdiction in respect of what has been known as a Bill of Peace, and which would now be styled an action in the nature of a bill of peace, a proceeding of rare practical occurrence. It is a proceeding in which the plaintiff seeks to establish, and perpetuate, a right which he claims. The Court will entertain such an action when the matter involved is one which, from its nature, may be controverted by different persons, at different times, and in different actions, or when several attempts have already been unsuccessfully made to overthrow the same right, and justice requires that the party should be quieted in his title, if it is already, or can be now, sufficiently established (*f*).

Action in the nature of a Bill of Peace.

An action of this nature may be brought for tithes, by a parson against his parishioners; by parishioners against a parson to establish a modus; by a lord of a manor against his tenants for an encroachment under colour of a common right; by tenants of a manor against the lord for disturbance of a common right; by a party interested to establish a toll due by custom; or by a person having a right which he has repeatedly established by trial in the ordinary way, and yet there is danger of future litigation and obstruction to his right, from new attempts to controvert it. So also where a party has possession, and claims a right of fishery for a considerable distance on a river, and the riparian proprietors set up adverse rights, he may bring such

Instances.

(*e*) Story, 994, 1025.

(*f*) Story, 566.

an action against all of them to establish his right, and quiet his possession. And such an action will also lie to settle the amount of a general fine to be paid by all the copyhold tenants of a manor (*g*).

Reason for the proceedings.

The obvious reason for the exercise by the Court of this extraordinary jurisdiction is, upon the *Quia timet* principle (*h*), to procure repose from what might prove to be perpetual litigation, and, therefore, the proceeding was justly called a Bill of Peace. A general doctrine of public policy is, that an end ought to be put to litigation, and, above all, to fruitless litigation. If actions might be continually brought to litigate the same questions as often as the parties choose, it is evident that remedial justice would soon become a mockery, for the termination of one action would only become the signal for the institution of a new one, and the expenses might become ruinous to all the parties. The Court, by exercising the jurisdiction it does, is enabled to suppress useless litigation, and to prevent multiplicity of suits (*i*).

(*g*) Story, 567, 568.

(*h*) See *ante*, p. 262.

(*i*) Story, 566, 567.

APPENDIX.

- (1). TRUSTEE ACT, 1893 [56 & 57 VICT., CAP. 53.]
(See *ante*, page 114.)
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ARRANGEMENT OF SECTIONS.

PART I.

INVESTMENTS.

Section

1. Authorised investments.
2. Purchase at a premium of redeemable stocks.
3. Discretion of trustees.
4. Application of preceding sections.
5. Enlargement of express powers of investment.
6. Power to invest notwithstanding drainage charges.
7. Trustee not to convert inscribed stock into certificates to bearer.
8. Loans and investments by trustees not chargeable as breaches of trust.
9. Liability for loss by reason of improper investments.

PART II.

VARIOUS POWERS AND DUTIES OF TRUSTEES.

Appointment of New Trustees.

10. Power of appointing new trustees.
11. Retirement of trustee.
12. Vesting of trust property in new or continuing trustees.

Purchase and Sale.

13. Power of trustees for sale, to sell by auction, &c.
14. Power to sell subject to depreciatory conditions.
15. Power to sell under 37 & 38 Vict., c. 78.
16. Married Woman as bare trustee may convey.

Various Powers and Liabilities.

17. Power to authorise receipt of money by banker or solicitor.
18. Power to insure building.

Section

19. Power of trustees of renewable leaseholds to renew and raise money for the purpose.
20. Power of trustees to give receipts.
21. Power for executors and trustees to compound, &c.
22. Powers of two or more trustees.
23. Exoneration of trustees in respect of certain powers of attorney.
24. Implied indemnity of trustees.

PART III.

POWERS OF THE COURT.

Appointment of New Trustees and Vesting Orders.

25. Power of the Court to appoint new trustees.
26. Vesting orders as to land
27. Orders as to contingent rights of unborn persons.
28. Vesting order in place of conveyance by infant mortgagee.
29. Vesting order in place of conveyance by heir, or devisee of heir, &c., or personal representative of mortgagee.
30. Vesting order consequential on judgment for sale or mortgage of land.
31. Vesting order consequential on judgment for specific performance, &c.
32. Effect of vesting order.
33. Power to appoint person to convey.
34. Effect of vesting order as to copyhold.
35. Vesting orders as to stock and choses in action.
36. Persons entitled to apply for orders.
37. Powers of new trustee appointed by Court.
38. Power to charge costs on trust estate.
39. Trustees of charities.
40. Orders made upon certain allegations to be conclusive evidence.
41. Application of vesting order to land out of England.

Payment into Court by Trustees.

42. Payment into Court by trustees.

Miscellaneous.

43. Power to give judgment in absence of a trustee.
44. Power to sanction sale of land or minerals separately.
45. Power to make beneficiary indemnify for breach of trust.
46. Jurisdiction of Palatine and County Courts.

PART IV.

MISCELLANEOUS AND SUPPLEMENTAL.

Section

- 47. Application to trustees under Settled Land Acts of provisions as to appointment of trustees.
- 48. Trust estates not affected by trustee becoming a convict.
- 49. Indemnity.
- 50. Definitions.
- 51. Repeal.
- 52. Extent of Act.
- 53. Short Title.
- 54. Commencement.

SCHEDULE.

In Act to consolidate Enactments relating to Trustees.

[22nd September, 1893.]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

PART I.

INVESTMENTS.

1.—A trustee may, unless expressly forbidden by the instrument (if any) creating the trust, invest any trust funds in his hands, whether at the time in a state of investment or not, in manner following, that is to say:

- (a) In any of the parliamentary stocks or public funds or Government securities of the United Kingdom:
- (b) On real or heritable securities in Great Britain or Ireland:
- (c) In the stock of the Bank of England or the Bank of Ireland:
- (d) In India Three and a-half Per Cent. Stock and India Three Per Cent. Stock, or in any other capital stock which may at any time hereafter be issued by the Secretary of State in Council of India under the Authority of Act of Parliament, and charged on the revenues of India:
- (e) In any securities the interest of which is for the time being guaranteed by Parliament:

Authorised
investments.

- (f) In consolidated stock created by the Metropolitan Board of Works, or by the London County Council, or in debenture stock created by the Receiver for the Metropolitan Police District :
- (g) In the debenture or rentcharge, or guaranteed or preference stock of any railway company in Great Britain or Ireland incorporated by special Act of Parliament, and having during each of the ten years last past before the date of investment paid a dividend at the rate of not less than three per centum per annum on its ordinary stock :
- (h) In the stock of any railway or canal company in Great Britain or Ireland whose undertaking is leased in perpetuity or for a term of not less than two hundred years at a fixed rental to any such railway company as is mentioned in sub-section (g), either alone or jointly with any other railway company :
- (i) In the debenture stock of any railway company in India the interest on which is paid or guaranteed by the Secretary of State in Council of India :
- (j) In the "B" annuities of the Eastern Bengal, the East Indian, and the Scinde, Punjaub and Delhi Railways, and any like annuities which may at any time hereafter be created on the purchase of any other railway by the Secretary of State in Council of India, and charged on the revenues of India, and which may be authorised by Act of Parliament to be accepted by trustees in lieu of any stock held by them in the purchased railway; also in deferred annuities comprised in the register of holders of annuity Class D and annuities comprised in the register of annuitants Class C of the East Indian Railway Company :
- (k) In the stock of any railway company in India upon which a fixed or minimum dividend in sterling is paid or guaranteed by the Secretary of State in Council of India, or upon the capital of which the interest is so guaranteed :
- (l) In the debenture or guaranteed or preference stock of any company in Great Britain or Ireland, established for the supply of water for profit, and

incorporated by special Act of Parliament or by Royal Charter, and having during each of the ten years last past before the date of investment paid a dividend of not less than five pounds per centum on its ordinary stock :

- (*m*) In nominal or inscribed stock issued, or to be issued, by the corporation of any municipal borough having, according to the returns of the last census prior to the date of investment, a population exceeding fifty thousand, or by any county council, under the authority of any Act of Parliament or Provisional Order :
- (*n*) In nominal or inscribed stock issued, or to be issued, by any commissioners incorporated by Act of Parliament for the purpose of supplying water and having a compulsory power of levying rates over an area having, according to the returns of the last census prior to the date of investment, a population exceeding fifty thousand, provided that during each of the ten years last past before the date of investment the rates levied by such commissioners shall not have exceeded eighty per centum of the amount authorised by law to be levied :
- (*o*) In any of the stocks, funds or securities for the time being authorised for the investment of cash under the control or subject to the order of the High Court, and may also from time to time vary any such investment.

2.—(1) A trustee may under the powers of this Act invest in any of the securities mentioned or referred to in section one of this Act, notwithstanding that the same may be redeemable, and that the price exceeds the redemption value.

Purchase at a premium of redeemable stocks.

(2) Provided that a trustee may not under the powers of this Act purchase at a price exceeding its redemption value any stock mentioned or referred to in sub-sections (*g*), (*i*), (*k*), (*l*), and (*m*) of section one, which is liable to be redeemed within fifteen years of the date of purchase at par or at some other fixed rate, or purchase any such stock as is mentioned or referred to in the sub-sections aforesaid, which is liable to be redeemed at par or at some

other fixed rate, at a price exceeding fifteen per centum above par or such other fixed rate.

(3) A trustee may retain until redemption any redeemable stock, fund, or security which may have been purchased in accordance with the powers of this Act.

Discretion of trustees.

3.—Every power conferred by the preceding sections shall be exercised according to the discretion of the trustee, but subject to any consent required by the instrument, if any, creating the trust with respect to the investment of the trust funds.

Application of preceding sections.

4.—The preceding sections shall apply as well to trusts created before as to trusts created after the passing of this Act, and the powers thereby conferred shall be in addition to the powers conferred by the instrument, if any, creating the trust.

Enlargement of express powers of investment.

5.—(1) A trustee having power to invest in real securities, unless expressly forbidden by the instrument creating the trust, may invest and shall be deemed to have always had power to invest—

(a) On mortgage of property held for an unexpired term of not less than two hundred years, and not subject to a reservation of rent greater than a shilling a year, or to any right of redemption or to any condition for re-entry, except for non-payment of rent; and

(b) On any charge; or upon mortgage of any charge, made under the Improvement of Land Act, 1864.

27 & 28 Vict.,
c. 114.

(2) A trustee having power to invest in the mortgages or bonds of any railway company or of any other description of company may, unless the contrary is expressed in the instrument authorising the investment, invest in the debenture stock of a railway company or such other company as aforesaid.

(3) A trustee having power to invest money in the debentures or debenture stock of any railway or other company may, unless the contrary is expressed in the instrument authorising the investment, invest in any nominal debentures or nominal debenture stock issued under the Local Loans Act, 1875.

38 & 39 Vict.,
c. 83.

(4) A trustee having power to invest money in securities in the Isle of Man, or in securities of the government of a colony, may, unless the contrary is expressed in the

instrument authorising the investment, invest in any securities of the Government of the Isle of Man, under the Isle of Man Loans Act, 1880. 43 & 44 Vict. c. 8.

(5) A trustee having a general power to invest trust moneys in or upon the security of shares, stock, mortgages, bonds, or debentures of companies incorporated by or acting under the authority of an Act of Parliament, may invest in, or upon the security of, mortgage debentures duly issued under and in accordance with the provisions of the Mortgage Debenture Act, 1865. 28 & 29 Vict., c. 78.

6.—A trustee having power to invest in the purchase of land or on mortgage of land may invest in the purchase, or on mortgage of any land, notwithstanding the same is charged with a rent under the powers of the Public Money Drainage Acts, 1846 to 1856, or the Landed Property Improvement (Ireland) Act, 1847, or by an absolute order made under the Improvement of Land Act, 1864, unless the terms of the trust expressly provide that the land to be purchased or taken in mortgage shall not be subject to any such prior charge. Power to invest, notwithstanding drainage charges. 10 & 11 Vict., c. 32.

7.—(1) A trustee, unless authorised by the terms of his trust, shall not apply for or hold any certificate to bearer issued under the authority of any of the following Acts, that is to say: Trustees not to convert inscribed stock into certificates to bearer 26 & 27 Vict., c. 73.

(a) The India Stock Certificate Act, 1863;

(b) The National Debt Act, 1870;

(c) The Local Loans Act, 1875;

(d) The Colonial Stock Act, 1877. 33 & 34 Vict., c. 71.

(2) Nothing in this section shall impose on the Bank of England or of Ireland, or on any person authorised to issue any such certificates, any obligation to inquire whether a person applying for such a certificate is or is not a trustee, or subject them to any liability in the event of their granting any such certificate to a trustee, nor invalidate any such certificate if granted. 38 & 39 Vict., c. 83.

8.—(1) A trustee lending money on the security of any property on which he can lawfully lend shall not be chargeable with breach of trust by reason only of the proportion borne by the amount of the loan to the value of the property at the time when the loan was made, provided that it appears to the Court that in making the loan the Loans and investments by trustees not chargeable as breaches of trust. 40 & 41 Vict., c. 59.

trustee was acting upon a report as to the value of the property made by a person whom he reasonably believed to be an able practical surveyor or valuer instructed and employed independently of any owner of the property, whether such surveyor or valuer carried on business in the locality where the property is situate or elsewhere, and that the amount of the loan does not exceed two equal third parts of the value of the property as stated in the report, and that the loan was made under the advice of the surveyor or valuer expressed in the report.

(2) A trustee lending money on the security of any leasehold property shall not be chargeable with breach of trust only upon the ground that in making such loan he dispensed either wholly or partly with the production or investigation of the lessor's title.

(3) A trustee shall not be chargeable with breach of trust only upon the ground that in effecting the purchase of or in lending money upon the security of any property he has accepted a shorter title than the title which a purchaser is, in the absence of a special contract, entitled to require, if in the opinion of the Court the title accepted be such as a person acting with prudence and caution would have accepted.

(4) This section applies to transfers of existing securities as well as to new securities, and to investments made as well before as after the commencement of this Act, except where an action or other proceeding was pending with reference thereto on the twenty-fourth day of December one thousand eight hundred and eighty-eight.

Liability for
loss by reason
of improper
investments.

9.—(1) Where a trustee improperly advances trust money on a mortgage security which would at the time of the investment be a proper investment in all respects for a smaller sum than is actually advanced thereon, the security shall be deemed an authorised investment for the smaller sum, and the trustee shall only be liable to make good the sum advanced in excess thereof with interest.

(2) This section applies to investments made as well before as after the commencement of this Act except where an action or other proceeding was pending with reference thereto on the twenty-fourth day of December one thousand eight hundred and eighty-eight.

PART II.

VARIOUS POWERS AND DUTIES OF TRUSTEES.

Appointment of New Trustees.

10.—(1.) Where a trustee, either original or substituted, and whether appointed by a Court or otherwise, is dead, or remains out of the United Kingdom for more than twelve months, or desires to be discharged from all or any of the trusts or powers reposed in or conferred on him, or refuses or is unfit to act therein, or is incapable of acting therein, then the person or persons nominated for the purpose of appointing new trustees by the instrument, if any, creating the trust, or if there is no such person, or no such person able and willing to act, then the surviving or continuing trustees or trustee for the time being or the personal representatives of the last surviving or continuing trustee, may, by writing, appoint another person or other persons to be a trustee or trustees in the place of the trustee dead, remaining out of the United Kingdom, desiring to be discharged, refusing, or being unfit or being incapable as aforesaid.

Power of
appointing
new trustees

(2) On the appointment of a new trustee for the whole or any part of trust property—

(a) The number of trustees may be increased; and

(b) A separate set of trustees may be appointed for any part of the trust property held on trusts distinct from those relating to any other part or parts of the trust property, notwithstanding that no new trustees or trustee are or is to be appointed for other parts of the trust property, and any existing trustee may be appointed or remain one of such separate set of trustees; or, if only one trustee was originally appointed, then one separate trustee may be so appointed for the first-mentioned part; and

(c) It shall not be obligatory to appoint more than one new trustee where only one trustee was originally appointed, or to fill up the original number of trustees where more than two trustees were originally appointed; but, except where only one trustee was originally appointed, a trustee shall not be discharged

under this section from his trust unless there will be at least two trustees to perform the trust; and

(d) Any assurance or thing requisite for vesting the trust property, or any part thereof, jointly in the persons who are the trustees, shall be executed or done.

(3) Every new trustee so appointed, as well before as after all the trust property becomes by law, or by assurance, or otherwise, vested in him, shall have the same powers, authorities, and discretions, and may in all respects act, as if he had been originally appointed a trustee by the instrument, if any, creating the trust.

(4) The provisions of this section relative to a trustee who is dead include the case of a person nominated trustee in a will but dying before the testator, and those relative to a continuing trustee include a refusing or retiring trustee, if willing to act in the execution of the provisions of this section.

(5) This section applies only if and as far as a contrary intention is not expressed in the instrument, if any, creating the trust, and shall have effect subject to the terms of that instrument and to any provisions therein contained.

(6) This section applies to trusts created either before or after the commencement of this Act.

Retirement of
trustee.

11.—(1) Where there are more than two trustees, if one of them by deed declares that he is desirous of being discharged from the trust, and if his co-trustees and such other person, if any, as is empowered to appoint trustees, by deed consent to the discharge of the trustee, and to the vesting in the co-trustees alone of the trust property, then the trustee desirous of being discharged shall be deemed to have retired from the trust, and shall, by the deed, be discharged therefrom under this Act, without any new trustee being appointed in his place.

(2) Any assurance or thing requisite for vesting the trust property in the continuing trustees alone shall be executed or done.

(3) This section applies only if and as far as a contrary intention is not expressed in the instrument, if any, creating the trust, and shall have effect subject to the terms of that instrument and to any provisions therein contained.

(4) This section applies to trusts created either before or after the commencement of this Act.

12.—(1) Where a deed by which a new trustee is appointed to perform any trust contains a declaration by the appointer to the effect that any estate or interest in any land subject to the trust, or in any chattel so subject, or the right to recover and receive any debt or other thing in action so subject, shall vest in the persons who by virtue of the deed become and are the trustees for performing the trust, that declaration shall, without any conveyance or assignment, operate to vest in those persons, as joint tenants, and for the purposes of the trust, that estate, interest, or right.

Vesting of trust property in new or continuing trustees.

(2) Where a deed by which a retiring trustee is discharged under this Act contains such a declaration as is in this section mentioned by the retiring and continuing trustees, and by the other person, if any, empowered to appoint trustees, that declaration shall, without any conveyance or assignment, operate to vest in the continuing trustees alone, as joint tenants, and for the purposes of the trust, the estate, interest, or right to which the declaration relates.

(3) This section does not extend to any legal estate or interest in copyhold or customary land, or to land conveyed by way of mortgage for securing money subject to the trust, or to any such share, stock, annuity or property as is only transferable in books kept by a company or other body, or in manner directed by or under Act of Parliament.

(4) For purposes of registration of the deed in any registry, the person or persons making the declaration shall be deemed the conveying party or parties, and the conveyance shall be deemed to be made by him or them under a power conferred by this Act.

(5) This section applies only to deeds executed after the thirty-first of December one thousand eight hundred and eighty-one.

Purchase and Sale.

13.—(1) Where a trust for sale or a power of sale of property is vested in a trustee, he may sell or concur with any other person in selling all or any part of the property,

Power of trustee for sale to sell by auction, &c.

either subject to prior charges or not, and either together or in lots, by public auction or by private contract, subject to any such conditions respecting title or evidence of title or other matter as the trustee thinks fit, with power to vary any contract for sale, and to buy in at any auction, or to rescind any contract for sale and to re-sell, without being answerable for any loss.

(2) This section applies only if and as far as a contrary intention is not expressed in the instrument creating the trust or power, and shall have effect subject to the terms of that instrument and to the provisions therein contained.

(3) This section applies only to a trust or power created by an instrument coming into operation after the thirty-first of December one thousand eight hundred and eighty-one.

Power to sell
subject to
depreciatory
conditions.

14.—(1) No sale made by a trustee shall be impeached by any beneficiary upon the ground that any of the conditions subject to which the sale was made may have been unnecessarily depreciatory, unless it also appears that the consideration for the sale was thereby rendered inadequate.

(2) No sale made by a trustee shall, after the execution of the conveyance, be impeached as against the purchaser upon the ground that any of the conditions subject to which the sale was made may have been unnecessarily depreciatory, unless it appears that the purchaser was acting in collusion with the trustee at the time when the contract for sale was made.

(3) No purchaser, upon any sale made by a trustee, shall be at liberty to make any objection against the title upon the ground aforesaid.

(4) This section applies only to sales made after the twenty-fourth day of December one thousand eight hundred and eighty-eight.

Power to sell
under
37 & 38 Vict.,
c. 78.

15.—A trustee who is either a vendor or a purchaser may sell or buy without excluding the application of section two of the Vendor and Purchaser Act, 1874.

Married
woman as
bare trustee
may convey.

16.—When any freehold or copyhold hereditament is vested in a married woman as a bare trustee she mayⁿ convey or surrender it as if she were a *feme sole*.

Various Powers and Liabilities.

17.—(1) A trustee may appoint a solicitor to be his agent to receive and give a discharge for any money or valuable consideration or property receivable by the trustee under the trust, by permitting the solicitor to have the custody of, and to produce, a deed containing any such receipt as is referred to in section fifty-six of the Conveyancing and Law of Property Act, 1881; and a trustee shall not be chargeable with breach of trust by reason only of his having made or concurred in making any such appointment; and the producing of any such deed by the solicitor shall have the same validity and effect under the said section as if the person appointing the solicitor had not been a trustee.

Power to
authorise
receipt of
money by
banker or
solicitor.

44 & 45 Vict.,
c. 41.

(2) A trustee may appoint a banker or solicitor to be his agent to receive and give a discharge for any money payable to the trustee under or by virtue of a policy of assurance, by permitting the banker or solicitor to have the custody of and to produce the policy of assurance with a receipt signed by the trustee, and a trustee shall not be chargeable with a breach of trust by reason only of his having made or concurred in making any such appointment.

(3) Nothing in this section shall exempt a trustee from any liability which he would have incurred if this Act had not been passed, in case he permits any such money, valuable consideration, or property to remain in the hands or under the control of the banker or solicitor for a period longer than is reasonably necessary to enable the banker or solicitor (as the case may be) to pay or transfer the same to the trustee.

(4) This section applies only where the money or valuable consideration or property is received after the twenty-fourth day of December one thousand eight hundred and eighty-eight.

(5) Nothing in this section shall authorise a trustee to do anything which he is in express terms forbidden to do, or to omit anything which he is in express terms directed to do, by the instrument creating the trust.

18.—(1) A trustee may insure against loss or damage by fire any building or other insurable property to any

Power to
insure
building.

amount (including the amount of any insurance already on foot) not exceeding three equal fourth parts of the full value of such building or property, and pay the premiums for such insurance out of the income thereof or out of the income of any other property subject to the same trusts, without obtaining the consent of any person who may be entitled wholly or partly to such income.

(2) This section does not apply to any building or property which a trustee is bound forthwith to convey absolutely to any beneficiary upon being requested to do so.

(3) This section applies to trusts created either before or after the commencement of this Act, but nothing in this section shall authorise any trustee to do anything which he is in express terms forbidden to do, or to omit to do anything which he is in express terms directed to do, by the instrument creating the trust.

Power of trustees of renewable leaseholds to renew and raise money for the purpose.

19.—(1) A trustee of any leaseholds for lives or years which are renewable from time to time, either under any covenant or contract, or by custom or usual practice, may, if he thinks fit, and shall, if thereto required by any person having any beneficial interest, present or future, or contingent, in the leaseholds, use his best endeavours to obtain from time to time a renewed lease of the same hereditaments on the accustomed and reasonable terms, and for that purpose may from time to time make or concur in making a surrender of the lease for the time being subsisting, and do all such other acts as are requisite: Provided that, where by the terms of the settlement or will the person in possession for his life or other limited interest is entitled to enjoy the same without any obligation to renew or to contribute to the expense of renewal, this section shall not apply unless the consent in writing of that person is obtained to the renewal on the part of the trustee.

(2) If money is required to pay for the renewal, the trustee effecting the renewal may pay the same out of any money then in his hands in trust for the persons beneficially interested in the lands to be comprised in the renewed lease, and if he has not in his hands sufficient money for the purpose, he may raise the money required by mortgage of the hereditaments to be comprised in the

renewed lease, or of any other hereditaments for the time being subject to the uses or trusts to which those hereditaments are subject, and no person advancing money upon a mortgage purporting to be under this power shall be bound to see that the money is wanted, or that no more is raised than is wanted for the purpose.

(3) This section applies to trusts created either before or after the commencement of this Act, but nothing in this section shall authorise any trustee to do anything which he is in express terms forbidden to do, or to omit to do anything which he is in express terms directed to do, by the instrument creating the trust.

20.—(1) The receipt in writing of any trustee for any money, securities, or other personal property or effects payable, transferable, or deliverable to him under any trust or power shall be a sufficient discharge for the same, and shall effectually exonerate the person paying, transferring, or delivering the same from seeing to the application or being answerable for any loss or misapplication thereof.

Power of trustee to give receipts.

(2) This section applies to trusts created either before or after the commencement of this Act.

21.—(1) An executor or administrator may pay or allow any debt or claim on any evidence that he thinks sufficient.

Power for executors and trustees to compound, &c.

(2) An executor or administrator, or two or more trustees, acting together, or a sole acting trustee where by the instrument, if any, creating the trust, a sole trustee is authorised to execute the trusts and powers thereof, may, if and as he or they may think fit, accept any composition or any security, real or personal, for any debt or for any property real or personal, claimed, and may allow any time for payment for any debt, and may compromise, compound, abandon, submit to arbitration, or otherwise settle any debt, account, claim, or thing whatever relating to the testator's or intestate's estate or to the trust, and for any of those purposes may enter into, give, execute, and do such agreements, instruments of composition or arrangement, releases, and other things as to him or them seem expedient, without being responsible for any loss occasioned by any act or thing so done by him or them in good faith.

(3) This section applies only if and as far as a contrary intention is not expressed in the instrument, if any, creating the trust, and shall have effect subject to the terms of that instrument, and to the provisions therein contained.

(4) This section applies to executorships, administratorships and trusts constituted or created either before or after the commencement of this Act.

Powers of
two or more
trustees.

22.—(1) Where a power or trust is given to or vested in two or more trustees jointly, then, unless the contrary is expressed in the instrument, if any, creating the power or trust, the same may be exercised or performed by the survivor or survivors of them for the time being.

(2) This section applies only to trusts constituted after or created by instruments coming into operation after the thirty-first day of December one thousand eight hundred and eighty-one.

Exoneration
of trustees
in respect
of certain
powers of
attorney.

23.—A trustee acting or paying money in good faith under or in pursuance of any power of attorney shall not be liable for any such act or payment by reason of the fact that at the time of the payment or act the person who gave the power of attorney was dead or had done some act to avoid the power, if this fact was not known to the trustee at the time of his so acting or paying.

Provided that nothing in this section shall affect the right of any person entitled to the money against the person to whom the payment is made, and that the person so entitled shall have the same remedy against the person to whom the payment is made as he would have had against the trustee.

Implied
indemnity of
trustees.

24.—A trustee shall, without prejudice to the provisions of the instrument, if any, creating the trust, be chargeable only for money and securities actually received by him notwithstanding his signing any receipt for the sake of conformity, and shall be answerable and accountable only for his own acts, receipts, neglects, or defaults, and not for those of any other trustee, nor for any banker, broker, or other person with whom any trust moneys or securities may be deposited, nor for the insufficiency or deficiency of any securities, nor for any other loss, unless the same happens through his own wilful default; and may

reimburse himself, or pay or discharge out of the trust premises, all expenses incurred in or about the execution of his trusts or powers.

PART III.

POWERS OF THE COURT.

Appointment of New Trustees and Vesting Orders.

25.—(1) The High Court may, whenever it is expedient to appoint a new trustee or new trustees, and it is found inexpedient, difficult, or impracticable so to do without the assistance of the Court, make an order for the appointment of a new trustee or new trustees either in substitution for or in addition to any existing trustee or trustees, or although there is no existing trustee. In particular and without prejudice to the generality of the foregoing provision the Court may make an order for the appointment of a new trustee in substitution for a trustee who is convicted of felony, or is a bankrupt.

Power of the Court to appoint new trustees.

(2) An order under this section, and any consequential vesting order or conveyance, shall not operate further or otherwise as a discharge to any former or continuing trustee than an appointment of new trustees under any power for that purpose contained in any instrument would have operated.

(3) Nothing in this section shall give power to appoint an executor or administrator.

26.—In any of the following cases, namely :—

Vesting orders as to land.

(i) Where the High Court appoints or has appointed a new trustee; and

(ii) Where a trustee entitled to or possessed of any land, or entitled to a contingent right therein, either solely or jointly with any other person,—

(a) Is an infant, or

(b) Is out of the jurisdiction of the High Court, or

(c) Cannot be found; and

(iii) Where it is uncertain who was the survivor of two or more trustees jointly entitled to or possessed of any land; and

(iv) Where, as to the last trustee known to have been entitled to or possessed of any land, it is uncertain whether he is living or dead; and

(v.) Where there is no heir or personal representative to a trustee who was entitled to or possessed of land and has died intestate as to that land, or where it is uncertain who is the heir or personal representative or devisee of a trustee who was entitled to or possessed of land and is dead; and

(vi.) Where a trustee jointly or solely entitled to or possessed of any land, or entitled to a contingent right therein, has been required, by or on behalf of a person entitled to require a conveyance of the land or a release of the right to convey the land or to release the right, and has wilfully refused or neglected to convey the land or release the right for twenty-eight days after the date of the requirement;

the High Court may make an order (in this Act called a vesting order) vesting the land in any such person in any such manner and for any such estate as the Court may direct, or releasing or disposing of the contingent right to such person as the Court may direct.

Provided that—

(a) Where the order is consequential on the appointment of a new trustee the land shall be vested for such estate as the Court may direct in the persons who on the appointment are the trustees; and

(b) Where the order relates to a trustee entitled jointly with another person, and such trustee is out of the jurisdiction of the High Court or cannot be found, the land or right shall be vested in such other person, either alone or with some other person.

Orders as to
contingent
rights of
unborn
persons.

27.—Where any land is subject to a contingent right in an unborn person or class of unborn persons who, on coming into existence would, in respect thereof, become entitled to or possessed of the land on any trust, the High Court may make an order releasing the land from the contingent right, or may make an order vesting in any person the estate to or of which the unborn person or class of unborn persons would, on coming into existence, be entitled or possessed in the land.

Vesting order
in place of
conveyance
by infant
mortgagee.

28.—Where any person entitled to or possessed of land, or entitled to a contingent right in land, by way of security for money, is an infant, the High Court may make an

order vesting or releasing or disposing of the land or right in like manner as in the case of an infant trustee.

29.—Where a mortgagee of land has died without having entered into the possession or into the receipt of the rents and profits thereof, and the money due in respect of the mortgage has been paid to a person entitled to receive the same, or that last-mentioned person consents to any order for the reconveyance of the land, then the High Court may make an order vesting the land in such person or persons in such manner and for such estate as the Court may direct in any of the following cases, namely:—

Vesting order in place of conveyance by heir, or devisee of heir, &c., or personal representative of mortgagee.

- (a) Where an heir or personal representative or devisee of the mortgagee is out of the jurisdiction of the High Court or cannot be found; and
- (b) Where an heir or personal representative or devisee or the mortgagee on demand made by or on behalf of a person entitled to require a conveyance of the land, has stated in writing that he will not convey the same or does not convey the same for the space of twenty-eight days next after a proper deed for conveying the land has been tendered to him by or on behalf of the person so entitled; and
- (c) Where it is uncertain which of several devisees of the mortgagee was the survivor; and
- (d) Where it is uncertain as to the survivor of several devisees of the mortgagee or as to the heir or personal representative of the mortgagee whether he is living or dead; and
- (e) Where there is no heir or personal representative to a mortgagee who has died intestate as to the land, or where the mortgagee has died and it is uncertain who is his heir or personal representative or devisee.

30.—Where any Court gives a judgment or makes an order directing the sale or mortgage of any land, every person who is entitled to or possessed of the land, or entitled to a contingent right therein as heir, or under the will of a deceased person for payment of whose debts the judgment was given or order made, and is a party to the action or proceeding in which the judgment or order is given, or made or is otherwise bound by the judgment or order, shall

Vesting order consequential on judgment for sale or mortgage of land.

be deemed to be so entitled or possessed, as the case may be, as a trustee within the meaning of this Act; and the High Court may, if it thinks expedient, make an order vesting the land or any part thereof for such estates as that Court thinks fit in the purchaser or mortgagee or in any other person.

Vesting order consequential on judgment for specific performance, &c.

31.—Where a judgment is given for the specific performance of a contract concerning any land, or for the partition, or sale in lieu of partition, or exchange, of any land, or generally where any judgment is given for the conveyance of any land either in cases arising out of the doctrine of election or otherwise, the High Court may declare that any of the parties to the action are trustees of the land or any part thereof within the meaning of this Act, or may declare that the interests of unborn persons who might claim under any party to the action, or under the will or voluntary settlement of any person deceased who was during his lifetime a party to the contract or transactions concerning which the judgment is given, are the interests of persons who, on coming into existence, would be trustees within the meaning of this Act, and thereupon the High Court may make a vesting order relating to the rights of those persons, born and unborn, as if they had been trustees.

Effect of vesting order.

32.—A vesting order under any of the foregoing provisions shall in the case of a vesting order consequential on the appointment of a new trustee, have the same effect as if the persons who before the appointment were the trustees (if any) had duly executed all proper conveyances of the land for such estate as the High Court directs, or if there is no such person, or no such person of full capacity, then as if such person had existed and been of full capacity and had duly executed all proper conveyances of the land for such estate as the Court directs, and shall in every other case have the same effect as if the trustee or other person or description or class of persons to whose rights or supposed rights the said provisions respectively relate had been an ascertained and existing person of full capacity, and had executed a conveyance or release to the effect intended by the order.

33.—In all cases where a vesting order can be made under any of the foregoing provisions, the High Court may, if it is more convenient, appoint a person to convey the land or release the contingent right, and a conveyance or release by that person in conformity with the order shall have the same effect as an order under the appropriate provision.

Power to appoint person to convey.

34.—(1) Where an order vesting copyhold land in any person is made under this Act with the consent of the lord or lady of the manor, the land shall vest accordingly without surrender or admittance.

Effect of vesting order as to copyhold.

(2) Where an order is made under this Act appointing any person to convey any copyhold land, that person shall execute and do all assurances and things for completing the assurance of the land: and the lord and lady of the manor and every other person shall, subject to the customs of the manor and the usual payments, be bound to make admittance to the land, and to do all other acts for completing the assurance thereof as if the persons in whose place an appointment is made were free from disability, and had executed and done those assurances and things.

35.—(1) In any of the following cases, namely:—

Vesting orders as to stock and choses in action.

- (i) Where the High Court appoints or has appointed a new trustee; and
- (ii) Where a trustee entitled alone or jointly with another person to stock or to a chose in action—
 - (a) Is an infant, or
 - (b) Is out of the jurisdiction of the High Court, or
 - (c) Cannot be found; or
 - (d) Neglects or refuses to transfer stock or receive the dividends or income thereof, or to sue for or recover a chose in action, according to the direction of the person absolutely entitled thereto for twenty-eight days next after a request in writing has been made to him by the person so entitled, or
 - (e) Neglects or refuses to transfer stock or receive the dividends or income thereof, or to sue for or recover a chose in action for twenty-eight days next after an order of the High Court for that purpose has been served on him; or
- (iii) Where it is uncertain whether a trustee entitled

alone or jointly with another person to stock or to a chose in action is alive or dead, the High Court may make an order vesting the right to transfer or call for a transfer of stock, or to receive the dividends or income thereof, or to sue for or recover a chose in action, in any such person as the Court may appoint:

Provided that—

- (a) Where the order is consequential on the appointment by the Court of a new trustee, the right shall be vested in the persons who, on the appointment, are the trustees; and
 - (b) Where the person whose right is dealt with by the order was entitled jointly with another person, the right shall be vested in that last-mentioned person either alone or jointly with any other person whom the Court may appoint.
- (2) In all cases where a vesting order can be made under this section, the Court may, if it is more convenient, appoint some proper person to make or join in making the transfer.
- (3) The person in whom the right to transfer or call for the transfer of any stock is vested by an order of the Court under this Act, may transfer the stock to himself or any other person, according to the order, and the Banks of England and Ireland and all other companies shall obey every order under this section according to its tenor.
- (4) After notice in writing of an order under this section it shall not be lawful for the Bank of England or of Ireland or any other company to transfer any stock to which the order relates or to pay any dividends thereon except in accordance with the order.
- (5) The High Court may make declarations and give directions concerning the manner in which the right to any stock or chose in action vested under the provisions of this Act is to be exercised.
- (6) The provisions of this Act as to vesting orders shall apply to shares in ships registered under the Acts relating to merchant shipping as if they were stock.

36.—(1) An order under this Act for the appointment of a new trustee or concerning any land, stock, or chose in

action subject to a trust, may be made on the application of any person beneficially interested in the land, stock, or chose in action, whether under disability or not, or on the application of any person duly appointed trustee thereof.

(2) An order under this Act concerning any land, stock, or chose in action subject to a mortgage may be made on the application of any person beneficially interested in the equity of redemption, whether under disability or not, or of any person interested in the money secured by the mortgage.

37.—Every trustee appointed by a Court of competent jurisdiction shall, as well before as after the trust property becomes by law, or by assurance, or otherwise, vested in him, have the same powers, authorities, and discretions, and may in all respects act as if he had been originally appointed a trustee by the instrument, if any, creating the trust.

Powers of new trustee appointed by Court.

38.—The High Court may order the costs and expenses of and incident to any application for an order appointing a new trustee, or for a vesting order, or of and incident to any such order, or any conveyance or transfer in pursuance thereof, to be paid or raised out of the land or personal estate in respect whereof the same is made, or out of the income thereof, or to be borne and paid in such manner and by such persons as to the Court may seem just.

Power to charge costs on trust estate.

39.—The powers conferred by this Act as to vesting orders may be exercised for vesting any land, stock or chose in action in any trustee of a charity or society over which the High Court would have jurisdiction upon action duly instituted, whether the appointment of the trustee was made by instrument under a power or by the High Court under its general or statutory jurisdiction.

Trustees of charities.

40.—Where a vesting order is made as to any land under this Act or under the Lunacy Act, 1890, or under any Act relating to Lunacy in Ireland, founded on an allegation of the personal incapacity of a trustee or mortgagee, or on an allegation that a trustee or the heir or personal representative or devisee of a mortgagee is out of the jurisdiction of the High Court or cannot be found, or that it is uncertain which of several trustees or which of

Orders made upon certain allegations to be conclusive evidence.
53 & 54 Vict., c. 5.

several devisees of a mortgagee was the survivor, or whether the last trustee or the heir or personal representative or last surviving devisee of a mortgagee is living or dead, or on an allegation that any trustee or mortgagee has died intestate without an heir, or has died and it is not known who is his heir or personal representative or devisee, the fact that the order has been so made shall be conclusive evidence of the matter so alleged in any Court upon any question as to the validity of the order; but this section shall not prevent the High Court from directing a reconveyance or the payment of costs occasioned by any such order if improperly obtained.

Application
of vesting
order to land
out of
England.

41.—The powers of the High Court in England to make vesting orders under this Act shall extend to all land and personal estate in Her Majesty's dominions except Scotland.

Payment into Court by Trustees.

Payment into
Court by
trustees.

42.—(1) Trustees, or the majority of trustees, having in their hands or under their control money or securities belonging to a trust, may pay the same into the High Court, and the same shall, subject to rules of Court, be dealt with according to the orders of the High Court.

(2) The receipt or certificate of the proper officer shall be a sufficient discharge to trustees for the money or securities so paid into Court.

(3) Where any moneys or securities are vested in any persons as trustees, and the majority are desirous of paying the same into Court, but the concurrence of the other or others cannot be obtained, the High Court may order the payment into Court to be made by the majority without the concurrence of the other or others; and where any such moneys or securities are deposited with any banker, broker, or other depository, the Court may order payment or delivery of the moneys or securities to the majority of the trustees for the purpose of payment into Court, and every transfer payment and delivery made in pursuance of any such order shall be valid and take effect as if the same had been made on the authority or by the act of all the persons entitled to the moneys and securities so transferred, paid, or delivered.

Miscellaneous.

43.—Where in any action the High Court is satisfied that diligent search has been made for any person who, in the character of trustee, is made a defendant in any action to serve him with a process of the Court, and that he cannot be found, the Court may hear and determine the action and give judgment therein against that person in his character of a trustee, as if he had been duly served, or had entered an appearance in the action, and had also appeared by his counsel and solicitor at the hearing, but without prejudice to any interest he may have in the matters in question in the action in any other character.

Power to give judgment in absence of a trustee.

44.—(1) Where a trustee is for the time being authorised to dispose of land by way of sale, exchange, partition or enfranchisement, the High Court may sanction his so disposing of the land with an exception or reservation of any minerals, and with or without rights and powers of or incidental to the working, getting, or carrying away of the minerals, or so disposing of the minerals, with or without the said rights or powers, separately from the residue of the land.

Power to sanction sale of land or minerals separately.

(2) Any such trustee, with the said sanction previously obtained, may, unless forbidden by the instrument creating the trust or direction, from time to time, without any further application to the Court, so dispose of any such land or minerals.

(3) Nothing in this section shall derogate from any power which a trustee may have under the Settled Land Acts, 1882 to 1890, or otherwise.

45.—(1) Where a trustee commits a breach of trust at the instigation or request or with the consent in writing of a beneficiary, the High Court may, if it thinks fit, and notwithstanding that the beneficiary may be a married woman entitled for her separate use and restrained from anticipation, make such order as to the Court seems just, for impounding all or any part of the interest of the beneficiary in the trust estate by way of indemnity to the trustee or person claiming through him.

Power to make beneficiary indemnify for breach of trust.

(2) This section shall apply to breaches of trust committed as well before as after the passing of this Act,

but shall not apply so as to prejudice any question in an action or other proceeding which was pending on the twenty-fourth day of December one thousand eight hundred and eighty-eight, and is pending at the commencement of this Act.

Jurisdiction
of Palatine
and County
Courts.

46.—The provisions of this Act with respect to the High Court shall, in their application to cases within the jurisdiction of a Palatine Court or County Court, include that Court, and the procedure under this Act in Palatine Courts and County Courts shall be in accordance with the Acts and rules regulating the procedure of those Courts.

PART IV.

MISCELLANEOUS AND SUPPLEMENTAL.

Application
to trustees
under
Settled Land
Acts of
provisions as
to appoint-
ment of
trustees.

47.—(1) All the powers and provisions contained in this Act with reference to the appointment of new trustees and the discharge and retirement of trustees, are to apply to and include trustees for the purposes of the Settled Lands Acts, 1882 to 1890, whether appointed by the Court or by the settlement, or under provisions contained in the settlement.

(2) This section applies and is to have effect with respect to an appointment or discharge and retirement of trustees taking place before as well as after the commencement of this Act.

44 & 45 Vict.,
c. 41.

(3) This section is not to render invalid or prejudice any appointment or any discharge and retirement of trustees affected before the passing of this Act, otherwise than under the provisions of the Conveyancing and Law of Property Act, 1881.

Trust estates
not affected
by trustee
becoming a
convict.
33 & 34 Vict.,
c. 23.

48.—Property vested in any person on any trust or by way of mortgage shall not, in case of that person becoming a convict within the meaning of the Forfeiture Act, 1870, vest in any such administrator as may be appointed under that Act, but shall remain in the trustee or mortgagee, or survive to his co-trustee or descend to his representative as if he had not become a convict; provided that this enactment shall not affect the title to the property so far as relates to any beneficial interest therein of any such trustee or mortgagee.

49.—This Act, and every order purporting to be made under this Act, shall be a complete indemnity to the Banks of England and Ireland, and to all persons for any acts done pursuant thereto; and it shall not be necessary for the Bank or for any person to inquire concerning the propriety of the order, or whether the Court by which it was made had jurisdiction to make the same. Indemnity.

50.—In this Act, unless the context otherwise requires,— Definitions.

The expression “bankrupt” includes, in Ireland. insolvent:

The expression “contingent right,” as applied to land, includes a contingent or executory interest, a possibility coupled with an interest, whether the object of the gift or limitation of the interest, or possibility is or is not ascertained, also a right of entry, whether immediate or future, and whether vested or contingent:

The expressions “convey” and “conveyance” applied to any person include the execution by that person of every necessary or suitable assurance for conveying, assigning, appointing, surrendering, or otherwise, transferring or disposing of land whereof he is seised or possessed, or wherein he is entitled to a contingent right, either for his whole estate or for any less estate, together with the performance of all formalities required by law to the validity of the conveyance, including the acts to be performed by married women and tenants-in-tail in accordance with the provisions of the Acts for abolition of fines and recoveries in England and Ireland respectively, and also including surrenders and other acts which a tenant of customary or copyhold lands can himself perform preparatory to or in aid of a complete assurance of the customary or copyhold land:

The expression “devisee” includes the heir of a devisee and the devisee of an heir, and any person who may claim right by devolution of title of a similar description:

The expression “instrument” includes Acts of Parliament:

The expression “land” includes manors and lordships, and reputed manors and lordships, and incorporeal as

well as corporeal hereditaments, and any interest therein, and also an undivided share of land :

The expressions "mortgage" and "mortgagee" include and relate to every estate and interest regarded in Equity as merely a security for money, and every person deriving title under the original mortgagee :

The expressions "pay" and "payment" as applied in relation to stocks and securities, and in connection with the expression "into Court" include the deposit or transfer of the same in or into Court :

The expression "possessed" applies to receipt of income of, and to any vested estate less than a life estate, legal or equitable, in possession or in expectancy, in any land :

The expression "property" includes real and personal property, and any estate and interest in any property, real or personal, and any debt, and any thing in action, and any other right or interest, whether in possession or not :

The expression "rights" includes estates and interests :

The expression "securities" includes stocks, funds, and shares ; and so far as relates to payments into Court has the same meaning as in the Court of Chancery (Funds) Act, 1872 :

The expression "stock" includes fully paid up shares ; and, so far as relates to vesting orders made by the Court under this Act, includes any fund, annuity, or security transferable in books kept by any company or society, or by instrument of transfer either alone or accompanied by other formalities, and any share or interest therein :

The expression "transfer," in relation to stock, includes the performance and execution of every deed, power of attorney, act, and thing on the part of the transferor to effect and complete the title in the transferee :

The expression "trust" does not include the duties incident to an estate conveyed by way of mortgage ; but with this exception the expressions "trust" and "trustee" include implied and constructive trusts, and cases where the trustee has a beneficial interest in the trust property, and the duties incident to the office of personal representative of a deceased person.

51.—The Acts mentioned in the Schedule to this Act are hereby repealed except as to Scotland to the extent mentioned in the third column of that schedule.

52.—This Act does not extend to Scotland.

Extent of Act.

53.—This Act may be cited as the Trustee Act, 1893.

Short title.

54.—This Act shall come into operation on the first day of January one thousand eight hundred and ninety-four.

Commencement.

SCHEDULE.

Session and Chapter.	Title or Short Title.	Extent of Repeal.
36 Geo. 3, c. 52	The Legacy Duty Act, 1796.	Section thirty-two.
9 & 10 Vict., c. 101	The Public Money Drainage Act, 1846.	Section thirty-seven.
10 & 11 Vict., c. 32	The Landed Property Improvement (Ireland) Act, 1847.	Section fifty-three.
10 & 11 Vict., c. 96	An Act for better securing trust funds, and for the relief of trustees.	The whole Act.
11 & 12 Vict., c. 68	An Act for extending to Ireland an Act passed in the last Session of Parliament, entitled "An Act for better securing trust funds, and for the relief of trustees."	The whole Act.
12 & 13 Vict., c. 74	An Act for the further relief of trustees.	The whole Act.
13 & 14 Vict., c. 60	The Trustee Act, 1850.	Sections seven to nineteen, twenty-two to twenty-five, twenty-nine, thirty-two to thirty-six, forty-six, forty-seven, forty-nine, fifty-four and fifty-five; also the residue of the Act except so far as relates to the Court exercising jurisdiction in lunacy in Ireland.

Session and Chapter.	Title or Short Title.	Extent of Repeal.
15 & 16 Vict., c. 55	The Trustee Act, 1852	Sections one to five, eight and nine; also the residue of the Act except so far as relates to the Court exercising jurisdiction in lunacy in Ireland.
17 & 18 Vict., c. 82	The Court of Chancery of Lancaster Act, 1854	Section eleven.
18 & 19 Vict., c. 91	The Merchant Shipping Act Amendment Act, 1855.	Section ten, except so far as relates to the Court exercising jurisdiction in lunacy in Ireland.
20 & 21 Vict., c. 60	The Irish Bankrupt and Insolvent Act, 1857.	Section three hundred and twenty-two.
22 & 23 Vict., c. 35	The Law of Property Amendment Act, 1859.	Sections twenty-six, thirty, and thirty-one.
23 & 24 Vict., c. 33	The Law of Property Amendment Act, 1860.	Section nine.
25 & 26 Vict., c. 108	An Act to confirm certain sales, exchanges, partitions, and enfranchisements by trustees and others.	The whole Act.
26 & 27 Vict., c. 73	An Act to give further facilities to the holders of Indian stock.	Section four.
27 & 28 Vict., c. 114	The Improvement of Land Act, 1864.	Section sixty so far as it relates to trustees: and section sixty-one.
28 & 29 Vict., c. 78	The Mortgage Debenture Act, 1865.	Section forty.
31 & 32 Vict., c. 40	The Partition Act, 1863.	Section seven.
33 & 34 Vict., c. 71	The National Debt Act, 1870.	Section twenty-nine.
34 & 35 Vict., c. 27	The Debenture Stock Act, 1871.	The whole Act.

Session and Chapter	Title or Short Title.	Extent of Repeal
37 & 38 Vict. c. 78	The Vendor and Purchaser Act, 1874.	Sections three and six.
38 & 39 Vict., c. 83	The Local Loans Act, 1875.	Sections twenty-one and twenty-seven.
40 & 41 Vict., c. 59	The Colonial Stock Act, 1877.	Section twelve.
43 & 44 Vict., c. 8	The Isle of Man Loans Act, 1880.	Section seven, so far as it relates to trustees.
44 & 45 Vict., c. 41	The Conveyancing and Law of Property Act, 1881.	Sections thirty-one to thirty-eight.
45 & 46 Vict., c. 39	The Conveyancing Act, 1882.	Section five.
46 & 47 Vict., c. 52	The Bankruptcy Act, 1883.	Section one hundred and forty-seven.
51 & 52 Vict., c. 59	The Trustee Act, 1888.	The whole Act, except sections one and eight.
52 & 53 Vict., c. 32	The Trust Investment Act, 1889.	The whole Act, except sections one and seven.
52 & 53 Vict., c. 47	The Palatine Court of Durham Act, 1889.	Section eight.
53 & 54 Vict., c. 5	The Lunacy Act, 1890.	Section one hundred and forty.
53 & 54 Vict., c. 69	The Settled Land Act, 1890.	Section seventeen.
55 & 56 Vict., c. 13	The Conveyancing and Law of Property Act, 1892.	Section six.

(2). TRUSTEE ACT, 1893, AMENDMENT ACT, 1894.

[57 VICT., CAP. 10.]

(See *ante*, p. 114)*An Act to Amend the Trustee Act, 1893.*

[18th June, 1894.]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same as follows:—

Amendment
of 56 & 57
Vict., c. 53,
sec. 30.

1.—In section thirty of the Trustee Act, 1893, the words “as heir, or under the will of a deceased person, for payment of whose debts the judgment was given or order made” shall be repealed.

Extension to
Ireland of
56 & 57 Vict.,
c. 53, sec. 41.

2.—The powers conferred on the High Court in England by section forty-one of the Trustee Act, 1893, to make vesting orders as to all land and personal estate in Her Majesty's dominions except Scotland, are hereby also given to and may be exercised by the High Court in Ireland.

Amendment
of 56 & 57
Vict., c. 53,
sec. 44.

3.—In section forty-four of the Trustee Act, 1893, after the word “trustee” in the first two places where it occurs shall be inserted the words “or other person.”

Liability of
trustee in case
of change of
character of
investment.

4.—A trustee shall not be liable for breach of trust by reason only of his continuing to hold an investment which has ceased to be an investment authorised by the instrument of trust or by the general law.

Short title.

5.—This Act may be cited as the Trustee Act, 1893, Amendment Act, 1894.

(3). JUDICIAL TRUSTEES ACT, 1896.

[59 & 60 VICT., CAP. 35.]

(See *ante*, page 114.)

ARRANGEMENT OF SECTIONS.

Section.

1. Power of Court on application to appoint judicial trustees.
2. Court to exercise jurisdiction.
3. Jurisdiction of Court in cases of breach of trust.
4. Rules.
5. Definitions.
6. Short title, extent, and commencement of Act.

An Act to provide for the Appointment of Judicial Trustees and otherwise to amend the Law respecting the Administration of Trusts and the Liability of Trustees.

[14th August, 1896.]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1.—(1) Where application is made to the Court by or on behalf of the person creating or intending to create a trust, or by or on behalf of a trustee or beneficiary, the Court may, in its discretion, appoint a person (in this Act called a judicial trustee) to be a trustee of that trust, either jointly with any other person or as sole trustee, and, if sufficient cause is shown, in place of all or any existing trustees.

Power of Court on application to appoint judicial trustee.

(2) The administration of the property of a deceased person, whether a testator or intestate, shall be a trust, and the executor or administrator a trustee, within the meaning of this Act.

(3) Any fit and proper person nominated for the purpose in the application may be appointed a judicial trustee, and, in the absence of such nomination, or if the

Court is not satisfied of the fitness of a person so nominated, an official of the Court may be appointed, and in any case a judicial trustee shall be subject to the control and supervision of the Court as an officer thereof.

(4) The Court may, either on request or without request, give to a judicial trustee any general or special directions in regard to the trust or the administration thereof.

(5) There may be paid to a judicial trustee out of the trust property such remuneration, not exceeding the prescribed limits, as the Court may assign in each case, subject to any rules under this Act respecting the application of such remuneration where the judicial trustee is an official of the Court, and the remuneration so assigned to any judicial trustee shall, save as the Court may for special reasons otherwise order, cover all his work and personal outlay.

(6) Once in every year the accounts of every trust of which a judicial trustee has been appointed shall be audited, and a report thereon made to the Court by the prescribed persons, and, in any case where the Court shall so direct, an inquiry into the administration by a judicial trustee of any trust, or into any dealing or transaction of a judicial trustee, shall be made in the prescribed manner.

Court to
exercise
jurisdiction.

2.—The jurisdiction of the Court under this Act may be exercised by the High Court, and as respects trusts within its jurisdiction by a Palatine Court, and (subject to the prescribed definition of the jurisdiction) by any County Court judge to whom such jurisdiction may be assigned under this Act.

Jurisdiction
of Court in
cases of breach
of trust.

3.—(1) If it appears to the Court that a trustee, whether appointed under this Act or not, is or may be personally liable for any breach of trust, whether the transaction alleged to be a breach of trust occurred before or after the passing of this Act, but has acted honestly and reasonably, and ought fairly to be excused for the breach of trust and for omitting to obtain the directions of the Court in the matter in which he committed such breach, then the Court may relieve the trustee either wholly or partly from personal liability for the same.

(2) This section shall come into operation at the passing of this Act.

4.—(1) Rules may be made for carrying into effect this Rules. Act, and especially—

- (1) For requiring judicial trustees, who are not officials of the Court, to give security for the due application of any trust property under their control :
 - (2) Respecting the safety of the trust property, and the custody thereof :
 - (3) Respecting the remuneration of judicial trustees and for fixing and regulating the fees to be taken under this Act so as to cover the expenses of the administration of this Act, and respecting the payment of such remuneration and fees out of the trust property, and, where the judicial trustee is an official of the Court, respecting the application of the remuneration and fees payable to him :
 - (4) For dispensing with formal proof of facts in proper cases :
 - (5) For facilitating the discharge by the Court of administrative duties under this Act without judicial proceedings, and otherwise regulating procedure under this Act and making it simple and inexpensive :
 - (6) For assigning jurisdiction under this Act to County Court judges and defining such jurisdiction :
 - (7) Respecting the suspension or removal of any judicial trustee, and the succession of another person to the office of any judicial trustee who may cease to hold office, and the vesting in such person of any trust property :
 - (8) Respecting the classes of trusts in which officials of the Court are not to be judicial trustees, or are to be so temporarily or conditionally :
 - (9) Respecting the procedure to be followed where the judicial trustee is executor or administrator :
 - (10) For preventing the employment by judicial trustees of other persons at the expense of the trust, except in cases of strict necessity :
 - (11) For the filing and auditing of the accounts of any trust of which a judicial trustee has been appointed.
- (2) The rules under this Act may be made by the Lord Chancellor, subject to the consent of the Treasury in matters relating to fees and to salaries and numbers of

44 & 45 Vict.,
c. 44 officers, and to the consent of the authority for making orders under the Solicitors' Remuneration Act, 1881, in matters relating to the remuneration of solicitors. The rules shall be laid before Parliament and have the same force as if enacted in this Act, provided that if, within thirty days after such rules have been laid before either House of Parliament during which that House has sat, the House presents to Her Majesty an address against such rules or any of them, such rules or the rule specified in the address shall thenceforward be of no effect.

Definitions.

5.—In this Act—

The expression “official of the Court” means the holder of such paid office in or connected with the Court as may be prescribed.

The expression “prescribed” means prescribed by rules under this Act.

Short title,
extent, and
commence-
ment of Act.

6.—(1) This Act may be cited as the Judicial Trustees Act, 1896.

(2) This Act shall not extend to any charity, whether subject to or exempted from the Charitable Trusts Acts, 1853 to 1894.

(3) This Act shall not extend to Scotland or Ireland.

(4) This Act, except as by this Act otherwise provided, shall come into operation on the first day of May, one thousand eight hundred and ninety-seven.

(4). EPITOME OF THE RULES UNDER THE
JUDICIAL TRUSTEES ACT, 1896.

(See *ante*, page 114.)



THE following are the most prominent points on these rules:—

Applications generally under this Act are to be in the Chancery Division, by interlocutory summons, if there is any pending matter, and, if there is not, by an originating summons. Such summonses may also be taken out in District Registries. Applications may be made to a Palatine Court as respects trusts within the jurisdiction of that Court, and to a County Court where the trust property does not exceed in value £500 (Rules 2, 29, 30, and 31). An application to a County Court can only be made to a Metropolitan County Court, or to a County Court exercising bankruptcy jurisdiction (Rule 31). The summons when taken out is, if the application is made on behalf of a trustee, to be served upon any other trustee; and, where the application is made on behalf of a beneficiary, on the trustee; and in either case, on such of the beneficiaries as the Court may direct. If the application is made by a person intending to create a trust, the summons need not be served on anybody (Rule 2).

• When an application is made by originating summons, a written statement must be signed by the applicant containing various particulars, namely:—A description of the trusts; the name and address of any person nominated as judicial trustee, with the reasons that lead to his nomination; whether it is proposed he should be remunerated or not; and general particulars of the trust property and of the beneficiaries. This statement must be verified by affidavit, which is to be *prima facie* evidence in support of the application (Rule 4).

From the Act, it will be observed that an official of the Court or a private person may be appointed a judicial trustee. It is specially provided (Rule 5) that

the Court is not to be precluded from appointing a person to be a judicial trustee by reason only of his being a beneficiary or a relative, or the solicitor to the trust, or to the trustee or any beneficiary, or by reason of being a married woman, and that an existing trustee may be appointed a judicial trustee; and (Rule 25) that any person who is an executor or administrator may be appointed a judicial trustee for the purpose of the collection and administration of the estate of the deceased person.

Where an official of the Court is appointed, the official solicitor of the Court is generally to be such person, and the property is to be held by him under his official title, and if he dies or ceases to hold office, his successor is to become judicial trustee (Rule 7). There is no provision for the official giving security; but if the judicial trustee is not an official, he must give security in the usual manner (Rule 8), unless he is an administrator who has already given an administration bond (Rule 25). The Court has, however, power to dispense with security (Rule 8).

The judicial trustee is to keep a separate account at some bank approved by the Court, and all title deeds, &c., are to be deposited with the bank, or as the Court may direct. Where, however, an official of the Court is appointed, the Court may, if it thinks fit, direct that all receipts and payments shall be made in such manner, and subject to such regulations, as the Treasury may direct (Rule 10). A judicial trustee must pay into the bank all moneys coming into his hands, and if he keeps any money in his hands for a longer time than is necessary he is to be liable to pay interest at not exceeding 5 per cent. (Rule 11). The judicial trustee may at any time request the Court to give him directions as to the trusts or its administration, laying the necessary facts before the Court (Rule 12). It is not necessary for this purpose to take out a summons, unless specially directed, but application may be made by letter addressed to the officer of the Court without any further formality, and the Court may give directions by letter signed by the " officer of the Court " and addressed to the trustee without drawing up any order (Rule 28).

With regard to accounts and remuneration, the Court is to direct when the accounts are to be made up, and to fix

in each year the time within which they are to be delivered to it for audit, which audit is to be by an officer of the Court, with power to refer to a professional accountant (Rule 14). The remuneration (if any) is to be fixed by the Court, and special allowances may be made as follows:—
(a) for the statement of the trust property prepared by the judicial trustee on his appointment, an allowance not exceeding 10 guineas; (b) for realizing and investing trust property where the property is realized for the purpose of re-investment, an allowance not exceeding $1\frac{1}{2}$ per cent.; (c) for realizing or investing trust property in any other case, an allowance not exceeding 1 per cent.

The Court may also in any year make a special allowance to a judicial trustee by reason of exceptional circumstances. These allowances may be paid in addition to any regular remuneration (Rule 17). Of course where a judicial trustee is a private person, these profits are for him; but where an official of the Court is appointed, all remuneration and allowances are to be paid, accounted for, and applied as the Treasury directs (Rule 18). The Court has also the power to forfeit the whole of the remuneration of the judicial trustee on account of misconduct (Rule 19).

The Court has power to suspend the judicial trustee if expedient (Rule 20), or to remove him (Rule 21), and provision is made for the resignation of the judicial trustee and the appointment of another in his place (Rules 23 and 24).

With regard to the expression “officer of the Court,” made use of in the Rules, this means—in the High Court, the proper Chancery Master, in a district registry, any Registrar of that registry, in a Palatine Court, any Registrar of that Court, and in the County Court, the Registrar of the County Court (Rule 33).

The Rules are to be construed with all existing rules of the Court in which the application is made; and the Interpretation Act, 1889, is to apply to the meaning of expressions in them as it does to Acts of Parliament (Rules 34, 35).

(5). PARTNERSHIP ACT, 1890 [53 & 54 VICT., CAP. 39.]

(See *ante*, page 156)

ARRANGEMENT OF SECTIONS.

Section.

Nature of Partnership.

1. Definition of partnership
2. Rules for determining existence of partnership.
3. Postponement of rights of person lending or selling in consideration of share of profits in case of insolvency.
4. Meaning of firm.

Relations of Partners to persons dealing with them.

5. Power of partner to bind the firm.
6. Partners bound by acts on behalf of firm.
7. Partner using credit of firm for private purposes.
8. Effect of notice that firm will not be bound by acts of partner.
9. Liability of partners.
10. Liability of the firm for wrongs.
11. Misapplication of money or property received for or in custody of the firm.
12. Liability for wrongs joint and several.
13. Improper employment of trust property for partnership purposes.
14. Persons liable by "holding out."
15. Admissions and representations of partners.
16. Notice to acting partner to be notice to the firm.
17. Liabilities of incoming and outgoing partners.
18. Revocation of continuing guaranty by change in firm.

Relations of Partners to one another.

19. Variation by consent of terms of partnership.
20. Partnership property.
21. Property bought with partnership money.
22. Conversion into personal estate of land held as partnership property.
23. Procedure against partnership property for a partner's separate judgment debt.

Section.

24. Rules as to interests and duties of partners, subject to special agreement
25. Expulsion of partner.
26. Retirement from partnership at will.
27. Where partnership for term is continued over continuance on old terms presumed.
28. Duty of partners to render accounts, &c.
29. Accountability of partners for private profits.
30. Duty of partner not to compete with firm.
31. Rights of assignee of share in partnership.

Dissolution of Partnership, and its consequences.

32. Dissolution by expiration or notice.
33. Dissolution by bankruptcy, death, or charge.
34. Dissolution by illegality of partnership.
35. Dissolution by the Court.
36. Right of persons dealing with firm against apparent members of firm.
37. Rights of partners to notify dissolution.
38. Continuing authority of partners for purposes of winding-up.
39. Rights of partners as to application of partnership property.
40. Apportionment of premium where partnership prematurely dissolved.
41. Rights where partnership dissolved for fraud or misrepresentation
42. Right of outgoing partner in certain cases to share profits made after dissolution.
43. Retiring or deceased partner's share to be a debt.
44. Rule for distribution of assets on final settlement of accounts.

Supplemental.

45. Definitions of "Court" and "business."
46. Saving for rules of Equity and Common Law.
47. Provision as to bankruptcy in Scotland.
48. Repeal.
49. Commencement of Act.
50. Short title.

SCHEDULE.

An Act to declare and amend the Law of Partnership.

[14th August, 1890.]

Be it enacted by the Queen's most Excellent Majesty,

by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

Nature of Partnership.

Definition of partnership.

1.—(1) Partnership is the relation which subsists between persons carrying on a business in common with a view of profit.

(2) But the relation between members of any company or association which is—

25 & 26 Vict.,
c. 89.

(a) Registered as a company under the Companies Act, 1862, or any other Act of Parliament for the time being in force and relating to the registration of joint-stock companies; or

(b) Formed or incorporated by or in pursuance of any other Act of Parliament or letters patent, or Royal Charter; or

(c) A company engaged in working mines within and subject to the jurisdiction of the Stannaries;
is not a partnership within the meaning of this Act.

Rules for
determining
existence of
partnership.

2.—In determining whether a partnership does or does not exist, regard shall be had to the following rules:

(1) Joint tenancy, tenancy in common, joint property, common property, or part ownership does not of itself create a partnership as to anything so held or owned, whether the tenants or owners do or do not share any profits made by the use thereof.

(2) The sharing of gross returns does not of itself create a partnership, whether the persons sharing such returns have or have not a joint or common right or interest in any property from which or from the use of which the returns are derived.

(3) The receipt by a person of a share of the profits of a business is *prima facie* evidence that he is a partner in the business, but the receipt of such a share, or of a payment contingent on or varying with the profits of a business, does not of itself make him a partner in the business; and in particular—

(a) The receipt by a person of a debt or other liquidated amount by instalments or otherwise out of the accruing profits of a business does not

of itself make him a partner in the business or liable as such :

- (b) A contract for the remuneration of a servant or agent of a person engaged in a business by a share of the profits of the business does not of itself make the servant or agent a partner in the business or liable as such :
- (c) A person being the widow or child of a deceased partner, and receiving by way of annuity a portion of the profits made in the business in which the deceased person was a partner, is not by reason only of such receipt a partner in the business or liable as such :
- (d) The advance of money by way of loan to a person engaged or about to engage in any business on a contract with that person that the lender shall receive a rate of interest varying with the profits, or shall receive a share of the profits arising from carrying on the business, does not of itself make the lender a partner with the person or persons carrying on the business or liable as such. Provided that the contract is in writing, and signed by or on behalf of all the parties thereto :
- (e) A person receiving by way of annuity or otherwise a portion of the profits of a business in consideration of the sale by him of the goodwill of the business is not by reason only of such receipt a partner in the business or liable as such.

3.—In the event of any person to whom money has been advanced by way of loan upon such a contract as is mentioned in the last foregoing section, or of any buyer of a goodwill in consideration of a share of the profits of the business, being adjudged a bankrupt, entering into an arrangement to pay his creditors less than twenty shillings in the pound, or dying in insolvent circumstances, the lender of the loan shall not be entitled to recover anything in respect of his loan, and the seller of the goodwill shall not be entitled to recover anything in respect of the share of profits contracted for, until the claims of the other

Postponement of rights of person lending or selling in consideration of share of profits in case of insolvency.

creditors of the borrower or buyer for valuable consideration in money or money's worth have been satisfied.

Meaning of
firm.

4.—(1) Persons who have entered into partnership with one another are for the purposes of this Act called collectively a firm, and the name under which their business is carried on is called the firm-name.

(2) In Scotland a firm is a legal person distinct from the partners of whom it is composed, but an individual partner may be charged on a decree or diligence directed against the firm, and on payment of the debts is entitled to relief *pro rata* from the firm and its other members.

Relations of Partners to persons dealing with them.

Power of
partner to
bind the firm.

5.—Every partner is an agent of the firm and his other partners for the purpose of the business of the partnership; and the acts of every partner who does any act for carrying on in the usual way business of the kind carried on by the firm of which he is a member bind the firm and his partners, unless the partner so acting has in fact no authority to act for the firm in the particular matter, and the person with whom he is dealing either knows that he has no authority, or does not know or believe him to be a partner.

Partners
bound by acts
on behalf of
firm.

6.—An act or instrument relating to the business of the firm and done or executed in the firm-name, or in any other manner showing an intention to bind the firm, by any person thereto authorised, whether a partner or not, is binding on the firm and all the partners.

Provided that this section shall not affect any general rule of law relating to the execution of deeds or negotiable instruments.

Partner using
credit of firm
for private
purposes.

7.—Where one partner pledges the credit of the firm for a purpose apparently not connected with the firm's ordinary course of business, the firm is not bound, unless he is in fact specially authorised by the other partners; but this section does not affect any personal liability incurred by an individual partner.

Effect of
notice that
firm will not
be bound by
acts of partner.

8.—If it has been agreed between the partners that any restriction shall be placed on the power of any one or more of them to bind the firm, no act done in contravention of

the agreement is binding on the firm with respect to persons having notice of the agreement.

9.—Every partner in a firm is liable jointly with the other partners, and in Scotland severally also, for all debts and obligations of the firm incurred while he is a partner; and after his death his estate is also severally liable in a due course of administration for such debts and obligations, so far as they remain unsatisfied, but subject in England or Ireland to the prior payment of his separate debts.

Liability of partners.

10.—Where by any wrongful act or omission of any partner acting in the ordinary course of the business of the firm, or with the authority of his co-partners, loss or injury is caused to any person not being a partner in a firm or any penalty is incurred, the firm is liable therefor to the same extent as the partner so acting or omitting to act.

Liability of the firm for wrongs.

11.—In the following cases; namely—

(a) Where one partner acting within the scope of his apparent authority receives the money or property of a third person and misapplies it; and

(b) Where a firm in the course of its business receives money or property of a third person, and the money or property so received is misapplied by one or more of the partners while it is in the custody of the firm, the firm is liable to make good the loss.

Misapplication of money or property received for or in custody of the firm.

12.—Every partner is liable jointly with his co-partners and also severally for everything for which the firm, while he is a partner therein, becomes liable under either of the two last preceding sections.

Liability for wrongs joint and several.

13.—If a partner, being a trustee, improperly employs trust property in the business or on the account of the partnership, no other partner is liable for the trust property to the persons beneficially interested therein:

Improper employment of trust property for partnership purposes.

Provided as follows:—

(1) This section shall not affect any liability incurred by any partner by reason of his having notice of a breach of trust; and

(2) Nothing in this section shall prevent trust money from being followed and recovered from the firm if still in its possession or under its control.

14.—(1) Every one who by words spoken or written or by conduct represents himself, or who knowingly suffers

Persons liable by "holding out."

himself to be represented, as a partner in a particular firm, is liable as a partner to any one who has on the faith of any such representation given credit to the firm, whether the representation has or has not been made or communicated to the person so giving credit by or with the knowledge of the apparent partner making the representation or suffering it to be made.

(2) Provided that where after a partner's death the partnership business is continued in the old firm-name, the continued use of that name or of the deceased partner's name as part thereof shall not of itself make his executors or administrators estate or effects liable for any partnership debts contracted after his death.

Admissions
and represen-
tations of
partners.

15.—An admission or representation made by any partner concerning the partnership affairs, and in the ordinary course of its business, is evidence against the firm.

Notice to
acting partner
to be notice
to the firm.

16.—Notice to any partner who habitually acts in the partnership business of any matter relating to partnership affairs operates as notice to the firm, except in the case of a fraud on the firm committed by or with the consent of that partner.

Liabilities of
incoming and
outgoing
partners.

17.—(1) A person who is admitted as a partner into an existing firm does not thereby become liable to the creditors of the firm for anything done before he became a partner.

(2) A partner who retires from a firm does not thereby cease to be liable for partnership debts or obligations incurred before his retirement.

(3) A retiring partner may be discharged from any existing liabilities, by an agreement to that effect between himself and the members of the firm as newly constituted and the creditors, and this agreement may be either express or inferred as a fact from the course of dealing between the creditors and the firm as newly constituted.

Revocation of
continuing
guaranty by
change in firm.

18.—A continuing guaranty or cautionary obligation given either to a firm or to a third person in respect of the transactions of a firm is, in the absence of agreement to the contrary, revoked as to future transactions by any change in the constitution of the firm to which, or of the firm in respect of the transactions of which, the guaranty or obligation was given.

Relations of Partners to one another.

19.—The mutual rights and duties of partners, whether ascertained by agreement or defined by this Act, may be varied by the consent of all the partners, and such consent may be either express or inferred from a course of dealing.

Variation by consent terms partnership.

20.—(1) All property and rights and interests in property originally brought into the partnership stock or acquired, whether by purchase or otherwise, on account of the firm, or for the purposes and in the course of the partnership business, are called in this Act partnership property, and must be held and applied by the partners exclusively for the purposes of the partnership and in accordance with the partnership agreement.

Partnership property.

(2) Provided that the legal estate or interest in any land, or in Scotland the title to and interest in any heritable estate which belongs to the partnership shall devolve according to the nature and tenure thereof, and the general rules of law thereto applicable, but in trust, so far as necessary, for the persons beneficially interested in the land under this section.

(3) Where co-owners of an estate or interest in any land, or in Scotland of any heritable estate, not being itself partnership property, are partners as to profits made by the use of that land or estate, and purchase other land or estate out of the profits to be used in like manner, the land or estate so purchased belongs to them, in the absence of an agreement to the contrary, not as partners, but as co-owners for the same respective estates and interests as are held by them in the land or estate first mentioned at the date of the purchase.

21.—Unless the contrary intention appears, property bought with money belonging to the firm is deemed to have been bought on account of the firm.

Property bought with partnership money.

22.—Where land or any heritable interest therein has become partnership property, it shall, unless the contrary intention appears, be treated as between the partners (including the representatives of a deceased partner), and also as between the heirs of a deceased partner and his executors or administrators, as personal or moveable and not real or heritable estate.

Conversion into persona estate of land held as partnership property.

Procedure
against
partnership
property for
a partner's
separate
judgment debt.

23.—(1) After the commencement of this Act a writ of execution shall not issue against any partnership property except on a judgment against the firm.

(2) The High Court, or a judge thereof, or the Chancery Court of the county palatine of Lancaster, or a county court, may, on the application by summons of any judgment creditor of a partner, make an order charging that partner's interest in the partnership property and profits with payment of the amount of the judgment debt and interest thereon, and may by the same or a subsequent order appoint a receiver of that partner's share of profits (whether already declared or accruing), and of any other money which may be coming to him in respect of the partnership, and direct all accounts and inquiries, and give all other orders and directions which might have been directed or given if the charge had been made in favour of the judgment creditor by the partner, or which the circumstances of the case may require.

(3) The other partner or partners shall be at liberty at any time to redeem the interest charged, or in case of a sale being directed, to purchase the same.

(4) This section shall apply in the case of a cost-book company as if the company were a partnership within the meaning of this Act.

(5) This section shall not apply to Scotland.

Rules as to
interests and
duties of
partners
subject to
special agree-
ment.

24.—The interests of partners in the partnership property and their rights and duties in relation to the partnership shall be determined, subject to any agreement express or implied between the partners, by the following rules:—

(1) All the partners are entitled to share equally in the capital and profits of the business, and must contribute equally towards the losses whether of capital or otherwise sustained by the firm.

(2) The firm must indemnify every partner in respect of payments made and personal liabilities incurred by him.

(a) In the ordinary and proper conduct of the business of the firm; or,

(b) In or about anything necessarily done for the preservation of the business or property of the firm.

- (3) A partner making, for the purpose of the partnership, any actual payment or advance beyond the amount of capital which he has agreed to subscribe, is entitled to interest at the rate of five per cent. per annum from the date of the payment or advance.
- (4) A partner is not entitled, before the ascertainment of profits, to interest on the capital subscribed by him.
- (5) Every partner may take part in the management of the partnership business.
- (6) No partner shall be entitled to remuneration for acting in the partnership business.
- (7) No person may be introduced as a partner without the consent of all existing partners.
- (8) Any difference arising as to ordinary matters connected with the partnership business may be decided by a majority of the partners, but no change may be made in the nature of the partnership business without the consent of all existing partners.
- (9) The partnership books are to be kept at the place of business of the partnership (or the principal place, if there is more than one), and every partner may, when he thinks fit, have access to and inspect and copy any of them.

25.—No majority of the partners can expel any partner unless a power to do so has been conferred by express agreement between the partners. Expulsion of partner.

26.—(1) Where no fixed term has been agreed upon for the duration of the partnership, any partner may determine the partnership at any time on giving notice of his intention so to do to all the other partners. Retirement from partnership at will.

(2) Where the partnership has originally been constituted by deed, a notice in writing, signed by the partners giving it, shall be sufficient for this purpose.

27.—(1) Where a partnership entered into for a fixed term is continued after the term has expired, and without any express new agreement, the rights and duties of the partners remain the same as they were at the expiration of the term, so far as is consistent with the incidents of a partnership at will. Where partnership for term is continued over, continuance on old terms presumed.

(2) A continuance of the business by the partners or

such of them as habitually acted therein during the term without any settlement or liquidation of the partnership affairs, is presumed to be a continuance of the partnership.

Duty of partners to render accounts, &c.

28.—Partners are bound to render true accounts and full information of all things affecting the partnership to any partner or his legal representatives.

Accountability of partners for private profits.

29.—(1) Every partner must account to the firm for any benefit derived by him without the consent of the other partners from any transaction concerning the partnership, or from any use by him of the partnership property, name or business connection.

(2) This section applies also to transactions undertaken after a partnership has been dissolved by the death of a partner, and before the affairs thereof have been completely wound up, either by any surviving partner or by the representatives of the deceased partner.

Duty of partner not to compete with firm.

30.—If a partner, without the consent of the other partners, carries on any business of the same nature as and competing with that of the firm, he must account for and pay over to the firm all profits made by him in that business.

Rights of assignee of share in partnership.

31.—(1) An assignment by any partner of his share in the partnership, either absolute or by way of mortgage or redeemable charge, does not, as against the other partners, entitle the assignee, during the continuance of the partnership, to interfere in the management or administration of the partnership business or affairs, or to require any accounts of the partnership transactions, or to inspect the partnership books, but entitles the assignee only to receive the share of profits to which the assigning partner would otherwise be entitled, and the assignee must accept the account of profits agreed to by the partners.

(2) In case of a dissolution of the partnership, whether as respects all the partners or as respects the assigning partner, the assignee is entitled to receive the share of the partnership assets to which the assigning partner is entitled as between himself and the other partners, and, for the purpose of ascertaining that share, to an account as from the date of the dissolution.

Dissolution of Partnership, and its consequences.

32.—Subject to any agreement between the partners, a partnership is dissolved—

Dissolution by
expiration or
notice.

- (a) If entered into for a fixed term, by the expiration of that term;
- (b) If entered into for a single adventure or undertaking, by the termination of that adventure or undertaking;
- (c) If entered into for an undefined time, by any partner giving notice to the other or others of his intention to dissolve the partnership.

In the last-mentioned case the partnership is dissolved as from the date mentioned in the notice as the date of dissolution, or, if no date is so mentioned, as from the date of the communication of the notice.

33.—(1) Subject to any agreement between the partners, every partnership is dissolved as regards all the partners by the death or bankruptcy of any partner.

Dissolution by
bankruptcy,
death, or
charge.

(2) A partnership may, at the option of the other partners, be dissolved if any partner suffers his share of the partnership property to be charged under this Act for his separate debt.

34.—A partnership is in every case dissolved by the happening of any event which makes it unlawful for the business of the firm to be carried on, or for the members of the firm to carry it on in partnership.

Dissolution by
illegality of
partnership.

35.—On application by a partner the Court may decree a dissolution of the partnership in any of the following cases:—

Dissolution by
the Court.

- (a) When a partner is found lunatic by inquisition, or in Scotland by cognition, or is shown to the satisfaction of the Court to be of permanently unsound mind, in either of which cases the application may be made as well on behalf of that partner by his committee or next friend or person having title to intervene as by any other partner:
- (b) When a partner, other than the partner suing, becomes in any other way permanently incapable of performing his part of the partnership contract:
- (c) When a partner, other than the partner suing, has been guilty of such conduct as, in the opinion of the

Court, regard being had to the nature of the business is calculated to prejudicially affect the carrying on of the business :

- (d) When a partner, other than the partner suing, wilfully or persistently commits a breach of the partnership agreement, or otherwise so conducts himself in matters relating to the partnership business that it is not reasonably practicable for the other partner or partners to carry on the business in partnership with him :
- (e) When the business of the partnership can only be carried on at a loss :
- (f) Whenever in any case circumstances have arisen which, in the opinion of the Court, render it just and equitable that the partnership be dissolved.

Rights of persons dealing with firm against apparent members of firms.

36.—(1) Where a person deals with a firm after a change in its constitution he is entitled to treat all apparent members of the old firm as still being members of the firm until he has notice of the change.

(2) An advertisement in the London Gazette as to a firm whose principal place of business is in England or Wales, in the Edinburgh Gazette as to a firm whose principal place of business is in Scotland, and in the Dublin Gazette as to a firm whose principal place of business is in Ireland, shall be notice as to persons who had not dealings with the firm before the date of the dissolution or change so advertised.

(3) The estate of a partner who dies, or who becomes bankrupt, or of a partner who, not having been known to the person dealing with the firm to be a partner, retires from the firm, is not liable for partnership debts contracted after the date of the death, bankruptcy, or retirement respectively.

Right of partners to notify dissolution.

37.—On the dissolution of a partnership or retirement of a partner any partner may publicly notify the same, and may require the other partner or partners to concur for that purpose in all necessary or proper acts, if any, which cannot be done without his or their concurrence.

Continuing authority of partners for purposes of winding up.

38.—After the dissolution of a partnership the authority of each partner to bind the firm, and the other rights and obligations of the partners, continue, notwithstanding the

dissolution so far as may be necessary to wind up the affairs of the partnership, and to complete transactions begun but unfinished at the time of the dissolution, but not otherwise.

Provided that the firm is in no case bound by the acts of a partner who has become bankrupt; but this proviso does not affect the liability of any person who has after the bankruptcy represented himself or knowingly suffered himself to be represented as a partner of the bankrupt.

39.—On the dissolution of a partnership every partner is entitled, as against the other partners in the firm, and all persons claiming through them in respect of their interests as partners, to have the property of the partnership applied in payment of the debts and liabilities of the firm, and to have the surplus assets after such payment applied in payment of what may be due to the partners respectively after deducting what may be due from them as partners to the firm; and for that purpose any partner or his representatives may, on the termination of the partnership, apply to the Court to wind up the business and affairs of the firm.

Rights of partners as to application of partnership property.

40.—Where one partner has paid a premium to another on entering into a partnership for a fixed term, and the partnership is dissolved before the expiration of that term otherwise than by the death of a partner, the Court may order the repayment of the premium, or of such part thereof as it thinks just, having regard to the terms of the partnership contract and to the length of time during which the partnership has continued; unless

Apportionment of premium where partnership prematurely dissolved.

(a) the dissolution is, in the judgment of the Court, wholly or chiefly due to the misconduct of the partner who paid the premium, or

(b) the partnership has been dissolved by an agreement containing no provision for a return of any part of the premium.

41.—Where a partnership contract is rescinded on the ground of the fraud or misrepresentation of one of the parties thereto, the party entitled to rescind is, without prejudice to any other right, entitled—

Rights where partnership dissolved for fraud or misrepresentation.

(a) To a lien on, or right of retention of, the surplus of the partnership assets, after satisfying the partnership

liabilities, for any sum of money paid by him for the purchase of a share in the partnership and for any capital contributed by him, and is

- (b) To stand in the place of the creditors of the firm for any payments made by him in respect of the partnership liabilities, and
- (c) To be indemnified by the person guilty of the fraud or making the representation against all the debts and liabilities of the firm.

Right of outgoing partner in certain cases to share profits made after dissolution.

42.—(1) Where any member of a firm has died or otherwise ceased to be a partner, and the surviving or continuing partners carry on the business of the firm with its capital or assets without any final settlement of accounts as between the firm and the outgoing partner or his estate, then, in the absence of any agreement to the contrary, the outgoing partner or his estate is entitled at the option of himself or his representatives to such share of the profits made since the dissolution as the Court may find to be attributable to the use of his share of the partnership assets, or to interest at the rate of five per cent. per annum on the amount of his share of the partnership assets.

(2) Provided that where by the partnership contract an option is given to surviving or continuing partners to purchase the interest of a deceased or outgoing partner, and that option is duly exercised, the estate of the deceased partner, or the outgoing partner or his estate, as the case may be, is not entitled to any further or other share of profits; but if any partner assuming to act in exercise of the option does not in all material respects comply with the terms thereof, he is liable to account under the foregoing provisions of this section.

Retiring or deceased partner's share to be a debt.

43.—Subject to any agreement between the partners, the amount due from surviving or continuing partners to an outgoing partner or the representatives of a deceased partner in respect of the outgoing or deceased partner's share is a debt accruing at the date of the dissolution or death.

Rule for distribution of assets on final settlement of accounts.

44.—In settling accounts between the partners after a dissolution of partnership, the following rules shall, subject to any agreement, be observed:—

- (a) Losses, including losses and deficiencies of capital,

shall be paid first out of profits, next out of capital, and lastly, if necessary, by the partners individually in the proportion in which they were entitled to share profits :

(b) The assets of the firm including the sums, if any, contributed by the partners to make up losses or deficiencies of capital shall be applied in the following manner and order :

- 1.—In paying the debts and liabilities of the firm to persons who are not partners therein :
- 2.—In paying to each partner rateably what is due from the firm to him for advances as distinguished from capital :
- 3.—In paying to each partner rateably what is due from the firm to him in respect of capital :
- 4.—The ultimate residue, if any, shall be divided among the partners in the proportion in which profits are divisible.

Supplemental.

45.—In this Act, unless the contrary intention appears,—
The expression “court” includes every court and judge having jurisdiction in the case :

Definitions of “Court” and “business.”

The expression “business” includes every trade, occupation, or profession.

46.—The rules of equity and of common law applicable to partnership shall continue in force except so far as they are inconsistent with the express provisions of this Act.

Saving for rules of Equity and Common Law.

47.—(1) In the application of this Act to Scotland the bankruptcy of a firm or of an individual shall mean sequestration under the Bankruptcy (Scotland) Acts, and also in the case of an individual the issue against him of a decree of *cessio bonorum*.

Provision as to bankruptcy in Scotland.

(2) Nothing in this Act shall alter the rules of the law of Scotland relating to the bankruptcy of a firm or of the individual partners thereof.

48.—The Acts mentioned in the Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule.

Repeal.

49.—This Act shall come into operation on the first

Commencement of Act.

PARTNERSHIP ACT, 1890.

day of January one thousand eight hundred and ninety-one.

Short title. 50.—This Act may be cited as the Partnership Act, 1890.

SCHEDULE.—ENACTMENTS REPEALED.

Session and Chapter.	Title or Short Title.	Extent of Repeal.
19 & 20 Vict., c. 60	The Mercantile Law Amendment (Scotland) Act, 1856.	Section seven.
19 & 20 Vict., c. 97	The Mercantile Law Amendment Act, 1856.	Section four.
28 & 29 Vict., c. 86	An Act to amend the law of partnership.	The whole Act.

GENERAL INDEX.

A.

ABATEMENT OF LEGACIES, 125

ABROAD,

Granting specific performance of lands, 287, 288

ACCIDENT,

Definition of, 214

Difference from in Equity, and in ordinary sense of word, 214

Defective execution of powers, 214, 215

No relief usually against non-execution of powers, 216

Wrong payment of legacies, 217

Reduction of stock, 217

Lost bonds, 218

ACCOUNTS,

Action for allowed by principal against agent, but not generally by agent against principal, 166

Three kinds of, 166, 167

When taken on the footing of a wilful default, 167

When lapse of time will bar claim for, 167, 168

Relief given as regards stated and settled accounts, 168

Surcharging and falsifying, 169

Appropriation of payments, 169, 170

Exception as to this rule in the case of Trusts, 170

Mortgagee in possession liable to furnish, 191

Not required from guardians of infant as to application of allowance for income, 306

ACCRUAL of title to married woman, 396, 397

ACCUMULATION OF INCOME, 32

ACQUIESCENCE, 97, 98, 252

ACTOR, injunction to restrain him acting contrary to agreement, 278, 279, 442

ACTUAL FRAUD, 227-235 : *See* FRAUD.

ADEMPMENT : *See* SATISFACTION.

Of specific legacy, 124

Doctrine of as regards legacies and portions, 335-345

ADJUNCT,

Contract for sale of premises with, 281, 282

ADMINISTRATION of estates of deceased persons, 115-155

General points as to, 115

On and after 1 January, 1898, freeholds vest in personal representatives, 70, 115, 116

Enactment of Land Transfer Act, 1897, and comments thereon, 115, 116

Duties of Executor, 116, 117

Executor carrying on testator's business, 117, 118

Position of creditors, 117, 118

Executor compounding debts, &c., 119, 120

Priorities of creditors, 121, 122

Executor's right of retainer, 122, 123

Legacies, 124-127

Interest on Legacies, 127, 128

Assets available for payment of debts, 129, 130

Former and present law as to real estate being liable.
130, 131

Provision and effect of Land Transfer Act, 1897,
130, 131

Charging real estate with payment of debts, 131

Distinction between legal and equitable assets, 132

Order for payment of debts out of legal assets, 133

Position as regards payment out of equitable assets,
133

Of insolvent estates, by reason of the Judicature Act,
1875, 134, 135

The effect of this provision, 135, 136

Summary of position as to priorities, 137

What bankruptcy rules do not apply, 137, 138

Of insolvent estates in bankruptcy, 138, 139

Transfer of proceedings in Equity for administration
to Bankruptcy, 139, 140

Order of application of assets, 140-147

ADMINISTRATION—*continued.*

Marshalling of assets and securities, 147-154

Provision of Land Transfer Act, 1897, as to, 154, 155

Action against executor or administrator may be transferred to Chancery Division, 433

ADMINISTRATOR,

Trustee of deceased's freeholds on and after 1 January, 1898, under Land Transfer Act, 1897, 70, 115, 116

Duties of, 116

Position of as to right of retainer, 122

As to restraining proceedings against, 433

ADVERTISING FOR CREDITORS, 118, 119

AGENT, position of, in dealing with principal, 246

AMELIORATIVE WASTE,

Injunction not granted to restrain, 447

ANIMALS, trust in favour of, 61

ANNUAL RESTS in taking mortgagees' accounts, 192, 193

ANTICIPATION CLAUSE,

May be annexed to gift to married woman, 400, 401

Effect of, 400, 401, 407-409

Is subject to the perpetuity rule, 401

Not necessarily any distinction in gift of capital fund whether it is producing income or not, 408

Effect of, when annexed to a capital sum payable *in futuro*, 408, 409

Provision of Conveyancing Act, 1881, as to, 409

Decisions under this enactment, 410

Settlement by woman of her property with this clause, does not destroy rights of ante-nuptial creditors, 412

APPOINTMENT,

Of new trustees, 65, 66

Under power must not be fraudulent or excessive, 255, 258

Illusory and exclusive appointments under powers, 259, 260

APPOINTMENTS UNDER POWERS, 255-260

Election arising in case of, 325, 326

APPORTIONMENT AND CONTRIBUTION, 379-385

Explanation of these expressions, 379

Reason of remedy being peculiarly in Equity, 379

No apportionment of apprentice fee on death of principal, 379

Otherwise in case of principal's bankruptcy, 379

Apportioning purchase-money between tenant for life and remainderman, 380

Apportionment of liabilities, 380, 381

In case of incumbrances on an estate, 381-383

Contribution between sureties, 383, 384

Remedy for, now equally in Chancery or Queen's Bench Division, 385

APPRENTICESHIP FEE,

Not apportioned in case of death of principal, 379

Otherwise in case of bankruptcy of principal, 379

APPROPRIATION OF PAYMENTS, 169, 170

ARBITRATION,

In disputes between partners, 162

As to enforcing specific performance of contract to submit to, 277

ASSETS,

What is meant by, 129

As to real estate constituting, 129, 130

Charging real estate with payment of debts, 131, 132

Distinction between legal and equitable, 132

Order for payment of debts out of legal and equitable assets, 133, 134

Provisions of Judicature Act, 1875, and Bankruptcy Act, 1883, 134-140

Order of application of, 140, 141

Marshalling of, 147-154

Of partnership, and administration of, 163-165

ASSIGNMENT OF CHOSSES IN ACTION,

Notice of must be given, 14

ATTACHMENT,

To enforce injunction, 450

AUCTIONEER,

Trustee not liable for failure of, 92

AUCTIONS,

As to agreements not to bid at, 260

Sales of Land by Auction Act, 1867, 260, 261

AULA REGIS, 1

AUXILIARY JURISDICTION, 6.

B.

BANK,

Liability of trustee for failure of, 92

BANKRUPTCY,

Effect of on voluntary settlements, 38, 39

Does not exonerate trustee as regards fraudulent
breach of trust, 102

Rules of to prevail in insolvent estates, 134, 135

Administration of insolvent estates in, 136, 137

Transfer of administration proceedings to, 139, 140

Effect of as to property of a married woman which
she is restrained from anticipating, 405, 406

Restraining proceedings against a bankrupt, 433

BILLS OF EXCHANGE, &c.

When lost, relief formerly given in Equity, 218

BILLS OF SALE, 172, note (*t*)

BONÂ-FIDE PURCHASER, 14, 15, 222

BONDS,

Loss of, could be relieved against on ground of
accident, 218

BOUNDARIES, SETTLEMENT OF, 319, 320: *See* SETTLEMENT
OF BOUNDARIES.

BREACHES OF COVENANTS,

Consequence of, and provisions of Conveyancing Act,
1881, 388, 389

BREACHES OF TRUST,

Liability of trustee for, 92, 96

Barred in some cases now by Statute of Limitations, 96

Consequence of laches or acquiescence, 97, 98

BREACHES OF TRUST—*continued*.

Effect of *cestui que trust* procuring breach to be committed, 98, 99, 412

Position where married woman joins in, 98, 99, 406

BUILD,

Contract to, not generally specifically enforced, 279, 280

BUILDING SOCIETIES,

Fines and penal payments in mortgages to, are recoverable, 180

BUSINESS,

Of testator carried on by executors, 117, 118

C.

CANCELLARIA, 2

CANCELLATION,

Of mortgage, 212

And delivery up of documents *Quia timet*, 261, 262

CAPITAL MONEY UNDER SETTLED LAND ACT, 1882,

Investment of, 79, 80

CESTUI QUE TRUST: *See* TRUSTEES.

Concurring in breach of trust, 98, 99

Must give release to trustee on his office terminating, 114

The ordinary rule as to appropriation of payments does not apply between *cestui que trust* and trustee, 170

CHANCERY,

Origin of, 1

Styled a Court of Conscience, 2

Evil repute of, 4

Modern substitute for old Court of, 25

Matters assigned to exclusive jurisdiction of Chancery Division, 25, 26

CHARGING real estate with payment of debts, 115, 116

CHARGING real estate with payment of legacies, 148

CHARITABLE TRUSTS,

Generally as to, 58

What are, 59

CHARITABLE TRUSTS—*continued*.

- Distinguished from superstitious uses and trusts, 59, 60
- Favour shewn in the case of, 61, 62
- Cy-pres* doctrine, 61, 62
- Alteration of circumstances by lapse of time, 62, 63
- As to surplus income, 63
- Gifts partly charitable and partly not, 63
- Powers of the Charity Commissioners as to, 63, 64
- Position of under 27 Eliz., c. 4, 64
- Formerly no marshalling in favour of a charity, 149, 150
- How this point now affected by the Mortmain Act, 1891, 151, 152
- Relief given against defective executions of powers, 214, 215

CHARITY COMMISSIONERS, THE, 63

CHATELS,

- When the Court will decree specific performance of contracts relating to, 273 - 275
- Provisions of Sale of Goods Act, 1893, as to specifically enforcing contracts for sale of, 275, 276
- When the Court will decree specific delivery of, irrespective of contract, 290, 291
- Provision of Common Law Procedure Act, 1854, hereon, 291, 292

CHILD : *See* INFANTS—GUARDIAN—SATISFACTION,

CHILD-BEARING,

- Presumption against in certain cases, 423

CHOSES IN ACTION,

- Notice of assignment of necessary, 14, 15

CLEAN HANDS,

- Necessity for party coming to Court of Equity having, 19

CLERGYMAN,

- Procuring settlement to be made on himself, 240

CLIENT AND SOLICITOR,

- As to dealings between, 242-246

CLOGGING EQUITY OF REDEMPTION, 173-175

CLUB,

- Injunction to restrain expulsion from, 445

COMMON INJUNCTIONS, 430

COMMON SAILORS,
Dealings with, 254

COMPANIES,

Claims against directors of, may be statute barred, 24
Law as to, somewhat connected with partnership, 171
Books recommended to be read with regard to, 171,
note (*s*)
Frauds by directors or promoters of, 247
Who is a promoter of a company, 247
Proceedings against, after winding-up order, may be
restrained, 433
Assets of, may be restrained from being applied
towards expenses of application to Parliament,
434, 435

COMPENSATION,

When specific performance decreed with, 281
Is the rule in cases of election, not forfeiture, 324, 325

COMPOSITIONS,

Of a secret nature constitute a fraud on other creditors,
254

COMPOUNDING DEBTS, 119, 120

COMPROMISES,

By trustees, 70
Of doubtful rights, 225

CONCURRENT JURISDICTION, 6

CONFIRMATION OF TRANSACTION BY EXPECTANT HEIR, 252

CONFORMITY,

Trustees and executors joining in receipts only for,
120, 121

CONDITIONS,

Under which trustees may sell trust property, 75, 76
For re-purchase, 178, 179
In restraint of marriage, 236, 237

CONFIDENTIAL RELATIONSHIPS,

Position of persons occupying, 240-249

CONSOLIDATION,

- Doctrine of, 207-209
- Definition of, 208
- Extension of doctrine of, 208
- Modification of doctrine of, 209, 210
- Provision of Conveyancing Act, 1881, as to, 210, 211

CONSTRUCTIVE FRAUD,

- Definition of, 228
- Foundation of relief on the ground of, 235
- As being against the policy of the law, 235-239
- Marriage brokerage contracts, 235
- Conditions in restraint of marriage, 236, 237
- Frauds on marriages, 238
- Agreements to influence testators, 238, 239
- Other instances of, 239
- When transaction affected by, absolutely void, 239
- By reason of fiduciary or confidential relationships, 240-249
- Position of trustees, 240
- Position of persons having any special power or influence, 240, 241
- Position of solicitors, 242-245
- Gifts to solicitors, 245, 246
- Position between principal and agent, 246
- Directors and promoters of companies, 247
- Guardian and ward, 247
- Parent and child, 247, 248
- Position of third parties, with notice of, 248
- May arise on account of engagement to marry existing, 249
- Position of volunteers, 249
- Position of expectant heirs, 250-253
- Provision of Money Lenders' Act, 1900, 253, 254
- Position of common sailors, 254
- Virtual frauds on individuals, 254-262
- Secret compositions, 254
- By reason of Statute 13 Eliz., c. 5, 254
- Fraudulent execution of powers, 255-257
- Release of power not a, 257
- Excessive execution of powers, 258, 259

CONSTRUCTIVE FRAUD—*continued*.

Illusory appointments, 259

Exclusive appointments, 259, 260

As to agreements not to bid at an auction, 260

On sales of land and goods, 260, 261

CONSTRUCTIVE NOTICE, 201, 202

CONSTRUCTIVE TRUST: *See* TRUSTS.

Definition of, 49

Instances of, 55-58

As to time barring claims on a, 100, 101

CONTINGENT LEGACIES, 125, 126

CONTRACT: *See* SPECIFIC PERFORMANCE.

Voluntary specific performance of not enforced, 263, 264

What will amount to, 264, 265

Nature of, for Court to decree specific performance, 265, 266

When time essence of, 283, 284

Effects a conversion, 360, 361

Option given to purchase, when accepted constitutes a contract, 362-365

Cannot be avoided by paying sum of money provided to be paid on breach, 393

Unless distinctly alternative, 394

CONTRIBUTION: *See* APPORTIONMENT AND CONTRIBUTION.

Between trustees, 93

Between sureties, 383, 384

CONTRIBUTORY MORTGAGE,

Not allowed to be invested on by trustees, 86

CONVERSION,

Of property by trustees, 71

Rule in *Howe v. Lord Dartmouth* as to, and rights of parties before, 71-74

The doctrine of generally, 359-376

Definition of the doctrine of, 359

General explanation of the doctrine of, 359, 360

Example of the doctrine of, 360

How it may occur, 360

CONVERSION—*continued*.

Doctrine of, as laid down in *Fletcher v. Ashburner*, 360

Taking place by reason of contract, 361

Not effected by abortive or unenforceable contract, 361, 362

Notice to treat does not by itself effect, 362

Option to purchase effecting, 362-365

Taking place by force of direction, 366

Time from which it takes place, 367

Who is entitled to surplus of mortgaged property after death of mortgagor, 367

Effect of doctrine of in particular cases, 367, 368

Result of failure of objects for which directed, 368

Case of *Ackroyd v. Smithson*, and the reason of the decision, 368, 369

Distinction in case of failure of objects of, according to whether directed by deed or will, 369

As to the quality in which property results on failure of objects for which directed, 370-373

Taking place by reason of sale under order of Court, 373

But an equity may exist to prevent this, 374

Equity to prevent conversion in sales under Partition Act, 1868, 374, 375

Also in Cases under the Lands Clauses Act, 1845, 375

Also in sales under Lunacy Act, 1890, 375

Practice of the Court where its order would effect, 376

COPYHOLDS,

Devolution of trust or mortgaged estates in, 68, 69, 187, 188

Not now within provision of sec. 30 of Conveyancing Act, 1881, 69, 187

Mortgages of, 181

As to relieving against forfeiture of, 388

COPYRIGHT,

Generally as to, 441

Injunction to restrain infringement of, 441

COSTS,

Of a solicitor, mortgagee, 243, 244

In action by an expectant to set transaction aside. 253

COVENANT,

- By infant to settle after acquired property, 326, 327
- To buy and settle land, 354, 355
- Breaches of, and provisions of Conveyancing Act, 1881, 388, 389
- Cannot be avoided by paying money provided to be paid on breach, 393
- Unless performance of covenant on payment of money distinctly alternative, 394
- When enforced by injunction, 443

CREDITORS,

- So-called trusts in favour of, 37, 38
- Rights of to upset trusts as fraudulent against them, 38, 42.
- Advertising for, 118, 119
- Priorities of must be observed, 121
- An executor, and sometimes an administrator, if a creditor may retain, 122, 123
- Order for payment of, 133
- Position of secured, 135
- Satisfaction in case of legacies to, 346-350
- Court leans against satisfaction in case of legacies to, 347, 348
- Instances showing this, 348, 349

CUMULATIVE LEGACIES, 351-353

CURTESY is allowed out of money directed to be invested in land, 367

CUSTODY OF INFANTS, 293-303: *See* INFANTS—GUARDIAN.

CY-PRÈS doctrine as regards charities, 62, 63

D.

DAMAGES,

- May be awarded in actions for specific performance, 286, 287
- Or in actions for injunctions, 448
- Undertaking as to, on granting of interlocutory injunction, 449

DEATH WITHOUT MAKING ELECTION, 330, 331

DE BENE ESSE,

Bill to take evidence, 453, 454

Such a proceeding as a separate action now obsolete,
454

DEBENTURES,

Court will not decree specific performance of contract
to take, 266, note (r)

DEBTS,

Advertising for, 118, 119

Executor compounding, 119, 120

Priorities of, 121, 122

Though statute barred, may be paid by executor, 122

Order for payment of, 133-137

Liability of different assets to, 140, 141

May be satisfied by legacies, 346-350

Distributive share does not operate as payment of a
debt, 357, 358

Liability of married woman's separate estate for,
410-414

DEFECTIVE EXECUTION OF POWERS,

When relieved against, 214, 215

DELEGATUS NON POTEST DELEGARE,

Rule of, applied to trustees, 88

DELIVERY UP OF DOCUMENTS *Quia Timet*, 261, 262

DEPRECIATORY CONDITIONS,

Position of trustees selling under, 75, 76

DEVASTAVIT, 117

DEVOLUTION,

Of trust estate, 68, 69

DIRECTION,

Effecting a conversion, 366

DIRECTORS OF COMPANIES,

Claims against may be barred by Statutes of Limita-
tion, 24

Stand in fiduciary position, 247

DISABILITY,

Election by persons under, 332, 333

DISCLAIMER BY TRUSTEE, 68

DISCOVERY,

As to defence of *bonâ fide* purchaser for value, 15, 16

Bill for, and generally as to, 454, 455

Discretion of trustees, 80, 81, 108, 109

DISSOLUTION OF PARTNERSHIP (*see also* Partnership Act.

1890, in Appendix, 498.)

Different ways of, 156, 157

Grounds for decreeing, 158, 159

Procedure in suit for, 159

Claiming return of premium paid, 160, 161

Right to proportion of profits after, 161, 162

What are assets of partnership, 163

Position as to goodwill on, 163

Administration of partnership assets, 164, 165

Accounts on, 166, 167

DIVISIONS OF EQUITY, 6

DIVORCE COURT,

May declare parent unfit to have custody of child, 300

Power of as regards infants, 303, note (s)

DONATIO MORTIS CAUSA, 128, 129

DOUBLE PORTIONS: *See* SATISFACTION.

The Court leans against, 337

DOUBTFUL TITLE,

Defence of an action for specific performance, 288

DOWER,

Is allowed out of money directed to be converted into
land, 367

E.

EDUCATION OF CHILD IN RELIGION, 301

ELECTION, 321-333

Definition of doctrine of, and reason for, 321, 322

Instance of, 322

Occurs whether party knew property not his own, ...
thought it was his own, 322, 323

Necessity of showing testator intended to dispose ...
property not his own, 323

ELECTION *continued*.

No parol evidence admitted on this point, 323

Where testator has partial interest in property he has given, 323, 326

Compensation and not forfeiture is the rule, 324, 325

In the case of appointments under powers, 325, 326

May arise in deeds as well as in wills, 326

By infant woman who has covenanted to settle, 326, 327

The doctrine of, depends on intention, 327

When a person may take one gift and reject another, 327, 328

Express, 328

Implied, 328

Four principles as to implied election, 329

Acts not amounting to, 330

Death of person entitled to elect without electing, 330, 331

In the case of persons under disability, such as infants and lunatics, 332, 333

EQUITABLE ASSETS, 132. *See* ASSETS.

EQUITABLE ASSIGNMENTS, 14

EQUITABLE MORTGAGES,

Remedies of, 198, 199

EQUITABLE MORTGAGES,

Notice need not be given of transfer of, 15

Generally as to, 181, 182

EQUITABLE WASTE,

Doctrine of the Court as to, 58

Injunction to restrain, 137

EQUITY,

Origin of, 1

Seldon's remarks on, 2

Original defects in, 3

Growth of, 3, 4

Real foundation of, 4

Importance of the maxims of, 5

Now a fixed system, 5

Definition of, 6

Divisions of, 6

EQUITY—*continued.*

- Maxims of, 7-24
- Rules of, now prevail, 27
- Never wants a trustee, 65

EQUITY OF REDEMPTION,

- Position of purchaser of, 175
- Owner of, other than mortgagor, paying off a mortgage, may keep it alive, 177, 178
- Limitations on right of, 184

EQUITY TO SETTLEMENT,

- Doctrine of, and its origin, 420
- Extension of doctrine, 420, 421
- Not now an important doctrine on account of Married Women's Property Act 1882, 422
- But may still be claimed in certain cases, 422
- Out of what property it can be claimed, 422, 423
- Against whom it can be enforced, 423
- Amount to be settled on wife, 424
- Nature of the right of, 424
- Nature of settlement made when right of enforcement, 425
- How right of, lost or waived, 425

ESSENCE OF CONTRACT,

- When time of, 283

ESTABLISHING A WILL IN CHANCERY, 455, 456

EVIDENCE,

- Required to rectify an instrument on ground of mistake, 226, 227
- To rebut presumption of implied trust, 50, 51
- Of subsequent oral variation of written contract, 272, 273
- To rebut satisfaction, 342-345, 350
- To shew whether legacies cumulative or substitutive, 353
- Action to perpetuate, 452, 453
- Taking evidence *de bene esse*, 453, 454

EXCESSIVE EXECUTION OF POWERS, 258

EXCLUSIVE APPOINTMENT UNDER POWER, 259

EXCLUSIVE JURISDICTION, 6

Matter of this nature assigned to Chancery Division,
25, 26

EXECUTED AND EXECUTORY TRUSTS, 44

EXECUTION AGAINST A PARTNER, 157

EXECUTOR,

Position of, with regard to undisposed of personalty,
53

Trustee of his testator's freeholds under Land Transfer
Act 1897, 70

His duties and position with regard to realty, before
and after Land Transfer Act 1897, 115

Year allowed to, 117

His duty to sue for outstanding debts, 117

Carrying on business of his testator, 117, 118

Advertising for debts, 118, 119

May compound debts, 119, 120

Powers of executors are joint and several, 120

Except in cases under Land Transfer Act 1897, 120,
note (x)

Must observe priorities, 121

May prefer one creditor of equal degree, 121

May pay debt barred by Statute of Limitations before
judgment for administration, 122

Retainer by, 122, 123

Restraining proceedings against, 433

EXECUTOR'S YEAR, 117

EX NUDO PACTO NON ORITUR ACTIO, 264

EXONERATING personal estate from being primary fund for
payment of debts, 143, 144

EX PARTE INJUNCTION, 449

EXPECTANT HEIRS,

Rules of the Court with regard to, 250-254

Who is an expectant, 250

Provision of 31 Vict., c. 4, 250

Effect and meaning of this statute, 250, 251

Principle of the relief given to, 251

When dealings with good, 251

EXPECTANT HEIRS—*continued*.*Post obit* bonds, 251, 252

Confirmation of voidable transactions with, 252

Rights of, may be lost by laches or acquiescence.

Terms on which Court gives relief to, 252, 253

As to costs in such cases, 253

Extension of doctrine of Court as to, 253, 254

Money Lenders Act, 1900, 253, 254

EXPRESS TRUSTS, 32, 44 : *See* TRUSTS.

EXTRINSIC EVIDENCE,

Allowed to rebut doctrine of Equity, 50, 51, 312 313.

353

But not to contradict written instrument, 345

To shew legacy no satisfaction of debt, 350

To shew whether legacies cumulative or substitutional.

353

F

FAILURE,

Of objects for which conversion directed, 368-372

FALSIFYING ACCOUNTS, 169

FAMILY COMPROMISES,

Rules as to, 225, 226

FATHER : *See* INFANTS.

Is natural guardian of his children, 293

Position of, compared with that of the mother. 293,

294, 295

When children removed from custody of, 298, 299

General position of, with regard to his children.

298-303

Formerly had absolute right to custody of children unless guilty of misconduct, 299

Modification of this rule by Act of 1873, 300

Has right to have children brought up in his own religion, 301

FIDUCIARY RELATIONSHIP,

Position of persons occupying, 240-249

FOLLOWING TRUST PROPERTY, 10, 11, 102, 103

FORECLOSURE,

- What is meant by, 197
- When the Court will re-open, 197, 198
- When advisable, 198
- Is usually the remedy of an equitable mortgagee,
198, 199
- When mortgagee may sue after. 200

FOREIGN COURT,

- Restraining proceedings in, 434

FOREIGN LAND,

- Granting specific performance of contracts relating to,
287, 288

FOREIGN LAW,

- Mistake of, 226

FORFEITURE: *See also* PENALTIES.

- Not the rule on election, but compensation, 324
- Origin of relief given in Chancery against, and general
principles thereon, 386-394
- Relief against by Statute, 386, 387
- Nature of cases in which Court relieves and does not
relieve, 387, 388
- Provisions of Conveyancing Acts, 1881 and 1892, as
to breaches of covenant, 389, 390
- Provisions for, which are bad in themselves, 390
- Distinction between and penalties, 390
- Special circumstances enabling Court to relieve
against, 391

FRAUD, 227-262: *See also* CONSTRUCTIVE FRAUD.

- As regards creditors and purchasers, 38-43
- What is, 227
- Definitions of actual and constructive, 228
- Actual, 228-235
 - Suggestio falsi*, 228
 - Suppressio veri*, 229
- Fraud consisting of misrepresentation is a ground for
an action for damages, but not fraud by suppression,
229
- Silence not ordinarily, 229

FRAUD—*continued*.

- Position of vendors and purchasers as to, 230
- As regards trustees, insurances, and sureties, 231
- As regards lunatics, &c., and intoxicated persons, 232
- Proof of, 232
- Inadequacy of price not usually fraud, 233
- Provision of Money Lenders Act, 1900, 233
- Actual fraud only renders transaction voidable, 234
- Which of two innocent persons must suffer by the fraud of a third party, 234
- Constructive, 235-261
- Foundation of relief in cases of constructive, 235
- Constructive, as being against the policy of the law, 235
- Marriage brokerage contracts, 235
- Conditions in restraint of marriage, 236, 237
- On a marriage, 238
- By reason of agreement to influence a testator, 238, 239
- When constructive fraud renders a transaction not voidable only, but void, 239
- By reason of confidential relationships, or positions of influence, 240, 241
- By a purchase by, or gift to, a solicitor, 242-246
- In the case of agents, 246
- By directors or promoters of companies, 247
- By reason of relationship of guardian and ward, or parent and child, existing, 247
- By reason of relationship of engaged couple existing, 249
- Constructive, on account of a party's peculiar position, 250.
- On expectant heirs, 250-254
- On common sailors, 254
- May occur by secret composition, 254
- On powers, 255-258
- Illusory or exclusive appointment not a, 259, 260
- Agreement not to bid at an auction not a fraud, 260
- On purchasers at an auction sale, 260, 261
- Cancellation and delivery up of instrument on ground of, 261

FRAUD—*continued*.

Specific performance may be granted of contract prevented from being reduced into writing by, 271

On husband's marital rights, 397, 398

FRAUDULENT EXECUTION OF POWERS, 255-258

FRAUDULENT MAKE UP OF GOODS,

Injunction to restrain, 443, 444

FUSION OF LAW AND EQUITY, 24

FUTURE ADVANCES,

Mortgage for, 205

G.

GENERAL PERSONAL ESTATE,

Primary fund to pay debts, 140

When not so, 144

GIFTS,

A beneficial one may be accepted, and a disadvantageous one rejected, 327, 328

GOODS,

Injunction to restrain fraudulent make up of, 411, 443, 444

GOODWILL,

Of partnership business, 163

Rights of a purchaser of a, 163, 164

Contract for sale of, not specifically enforced, unless connected with premises, 280

Contract for sale of medical practice, or solicitor's business, 280

Injunction after sale of and agreement not to carry on business, 444, 445

GUARDIAN: *See* INFANTS.

Position of, as to dealing with ward, 247

Father is the natural, 293

Power of appointing under the Guardianship of Infants Act 1886, 294, 295

Appointment of, by a stranger, 296

Appointment of, by the Court, 297

GUARDIAN : *See* INFANTS—*continued*.

Removal of, 297

No account required from, 306

Duty of, 307

Appointment of, to foreign child, 310

Cannot ordinarily affect conversion, 374

H.

HEIRS, 250-254 : *See* EXPECTANT HEIRS.

HIGH COURT OF JUSTICE,

Present Division of, 25

HUSBAND AND WIFE, 395-429 : *See* MARRIED WOMEN.Mortgage of wife's property for husband's benefit,
54, 55

Fraud on marital rights of husband, 397, 398

Liability of husband in possession of wife's money,
416

I.

IDIOTS,

When transactions with, bad or fraudulent, 232

Jurisdiction as to, 311.

ILLEGITIMATE CHILD,

No presumption of satisfaction necessarily arises in
case of gift to, 336

ILLUSORY APPOINTMENTS, 259, 260

ILLUSORY TRUSTS, 37, 38

IMPLIED TRUSTS : *See* TRUSTS.

Definition of, 49

Instances of, 49-55

Parol evidence to rebut presumption of, 50

Circumstances showing no trust intended, 51

IMPOUNDING *cestui que trust's* interest to indemnify a trustee,
99, 414

IMPROVEMENTS made by mortgagee, 193, 194

INADEQUACY OF PRICE,

Not in itself fraud, 233

INCOME,

Of wife's property received by husband, 414, 415

INCUMBRANCE,

Position when paid off by a party having only a limited interest in the estate, 381, 382

Apportionment of, between a tenant for life and a remainderman, 380

Liability to pay interest on incumbrances existing on a settled estate, 382

INDEMNITY,

Between trustees, 93

Generally as to indemnity and reimbursement of trustees, 107, 108

In respect of deed lost by mortgagee, 185

INFANTS,

Fraudulent representation of being of age, 19

Cannot obtain specific performance of contracts, 276

Generally as to, 293-311

Origin of jurisdiction as to, 293

Father natural guardian of, 293

Provision of Custody of Children Act, 1891, 293, 294

Power of father to appoint guardian, 294

Mother's position as to appointing guardian, 295

Powers of Divorce Court as to, 296, 303, note (s)

Appointment of guardian by a stranger, 296

Appointment of guardian by Court, 297

Removal of guardians of, 297

Removal of, from custody of father, 298

When the Court will interfere with father, 299

Effect of provision in separation deed as to custody of children, 299

Provision of Act of 1873 as to agreement regarding custody of, 300

Religion in which to be brought up, 301

Provision of Act of 1886 as to custody of, 301, 302

How father may obtain possession of, if wrongfully withheld from him, 303

Maintenance of, 303-306

Provision of Conveyancing Act 1881, as to trustee allowing maintenance, 303

INFANTS—*continued*.

- When maintenance allowed by the Court, 304
- Principle as to amount to be allowed for maintenance, 304
- Maintenance may be ordered though accumulation directed, 305
- Allowance for past maintenance of, 306
- No account required from guardian as regards application of future maintenance, 306
- When they are wards of Court, 306
- General rules as to wards of Court, 307, 308
- Duty of guardian of, 307
- Marriage of ward of Court, 307, 308
- Settlement of property of wards, 308, 309
- Court cannot in direct terms compel a settlement, 309, 310
- Provisions of 18 & 19 Vict., c. 43, as to settlements by, 309
- Limited effect of this provision, 309, 310
- Settlement by without Court's sanction, 310
- Appointment of guardian to child of foreigner, 310
- Covenants to settle by, 326, 327
- How they elect, 332, 333
- Guardian of, cannot ordinarily effect conversion, 374

INFLUENCING TESTATORS, 338, 339

INJUNCTIONS, 430-451

- In the nature of specific performance to prevent doing things contrary to contract, 278, 279
- To prevent marriage of ward of Court, 308
- May be granted to restrain the doing of an act although a penalty is provided on its breach, 393
- Definition of an injunction, 430
- Of two kinds, 430
- Common injunctions, 430, 431
- Restraining proceedings in another Court, 431
- Provisions of Judicature Act, 1873, and position now hereon, 431, 432
- May be granted to restrain institution of proceedings contrary to covenant, 432
- Restraining proceedings against executors or administrators after decree for administration, 433

INFANTS—*continued.*

- When maintenance allowed by the Court, 301
- Principle as to amount to be allowed for maintenance, 301
- Maintenance may be ordered though accumulation directed, 305
- Allowance for past maintenance of, 306
- No account required from guardian as regards application of future maintenance, 306
- When they are wards of Court, 306
- General rules as to wards of Court, 307, 308
- Duty of guardian of, 307
- Marriage of ward of Court, 307, 308
- Settlement of property of wards, 308, 309
- Court cannot in direct terms compel a settlement, 309, 310
- Provisions of 18 & 19 Vict., c. 43, as to settlements by, 309
- Limited effect of this provision, 309, 310
- Settlement by without Court's sanction, 310
- Appointment of guardian to child of foreigner, 310
- Covenants to settle by, 326, 327
- How they elect, 332, 333
- Guardian of, cannot ordinarily effect conversion, 371

INFLUENCING TESTATORS, 338, 339

INJUNCTIONS, 430-451

- In the nature of specific performance to prevent doing things contrary to contract, 278, 279
- To prevent marriage of ward of Court, 308
- May be granted to restrain the doing of an act although a penalty is provided on its breach, 393
- Definition of an injunction, 430
- Of two kinds, 430
- Common injunctions, 430, 431
- Restraining proceedings in another Court, 431
- Provisions of Judicature Act, 1873, and position now hereon, 431, 432
- May be granted to restrain institution of proceedings contrary to covenant, 432
- Restraining proceedings against executors or administrators after decree for administration, 433

INJUNCTIONS *continued.*

- Or against company after winding-up order, 433
- Or against bankrupt, 433, 434
- Restraining proceedings in a foreign Court, 434
- Restraining applications to Parliament, 434, 435
- Special injunctions, 435
- To prevent waste, 435
- To prevent trespass, 435
- Provisions of Judicature Act, 1873, extending power of Court to grant, 436
- Effect of this provision, 436, 437
- To restrain equitable waste, 437
- To restrain nuisances, 438, 439
- To restrain infringement of patent, copyright, or trade mark, 440, 441
- Against publication of private letters, 441
- Other instances of granting of, 442
- To restrain infringement of covenant, 442, 443
- The granting of, is a matter of discretion, 443
- To restrain fraudulent get up and imitation of goods, 443
- To restrain use of name or style similar to plaintiffs, 444
- To restrain expulsion from club, 445
- To restrain publication of libel, 446
- Publication of libel, may in proper cases be restrained by interlocutory injunction, 446
- To restrain publication of newspaper comments pending trial, 446, 447
- The granting of, is a matter in Court's discretion, 447, 448
- Laches and acquiescence, 448
- Damages may be granted in actions for, 448
- Ex parte* interlocutory, and perpetual, 449
- What Court must be satisfied of, in granting interlocutory injunction, 449
- Undertakings as to damages on granting of interlocutory injunction, and effect of, 449
- Mandatory, 450
- Enforcing, 450
- Restraining persons going abroad, 450, 451

INNOCENT PARTIES,

If two parties innocent and both injured by the fraud
of a third party, who must suffer, 234

INSOLVENT ESTATES,

Provisions of Judicature Act, 1875, as to, 134, 135

Provisions of Bankruptcy Act, 1883, as to, 138, 139

INSTITUTION OF PROCEEDINGS,

May be restrained by injunction, if contrary to
covenant, 436

INSURANCE,

By mortgagee, 199, 200

Full disclosures must be made in effecting, 231

INTEREST,

As to rate of allowed by the Court, 73, 92

To be paid by defaulting trustees, 92

On legacies, 127, 128

Provision in mortgage for converting into principal,
180

Provision in mortgage for increase of, 180, 181

INTESTATES' ESTATES ACT, 1884, 54

INTOXICATED PERSONS,

Contracts with, 232

INTRINSIC EVIDENCE,

To rebut satisfaction, 342, 343

INVESTMENT : *See* TRUSTEES.

Duties of Trustees, as to, 76, 77, 85

Powers of ordinary trustees, as to, 77-79

Of capital money under Settled Land Act, 1882, 79, 80

Position of trustees who have discretionary powers of,
80, 81

Trustees should not invest on second mortgage, 80, 81

Former position as to, on mortgage, 82

Provisions of Trustee Act, 1893, as to, on mortgage,
83

Prudence must be observed by trustee in making,
83, 84

Must not be made by trustees on contributory mort-
gage, 86

INVESTMENTS: *See* TRUSTEES—*continued*.

Nor for a period of years, 86

Liability of trustees for improper mortgage, 86, 87

Liability of trustees for non-investment, 92

Gain on, cannot be set-off against loss on, when breaches of trust, 92, 93

IRREVOCABILITY,

Of settlement and duty of solicitor as to pointing this out, 37

J.

JOINT OWNERS EFFECTING RE-CONVERSION, 377

JUDGMENT,

Against married women, and enforcing it against separate estate, she is restrained from anticipating, 104, 105

JUDICIAL TRUSTEE ACT, 1896, 67, 113, Appendix, 191

JURISDICTION OF EQUITY, 6

L.

LACHES,

Maxim as to, 21, 22

Position with regard to, compared with position as to Statutes of Limitations, 22, 23

• Definition of, 97, 98

Consequence of, particularly as regards trusts, 97, 98

May cause persons entitled to set aside an instrument on the ground of fraud to lose that right, 242

May cause an expectant to lose right to set transaction aside, 252

May prevent a person obtaining specific performance, 286

May prevent a person obtaining an injunction, 448

LAND,

As to legacies charged on, 126, 127, 148, 149

Forming part of partnership assets, 163

LANDLORD AND TENANT,

Breaches of covenants, and provisions of Conveyancing
Act, 1881, 388-390

LANDS CLAUSES ACT, 1845,

No conversion effected by a mere notice to treat, 362
Equity existing to prevent effect of conversion in case
of land taken from person under disability, 374

LAND TRANSFER ACT, 1897,

Provisions of, 70, 115, 116, 120, 154, 456

LAPSE, 125

LATENT DEFECTS,

Must be disclosed by vendor to purchaser, 229, 230

LEASEHOLDS,

When trustees may invest in, 80

LEASES,

By mortgagor, 183, 184
By mortgagee, 194

LEGACIES,

Different kinds of, 124

Lapse of, 125

Ademption of, 125

Abatement of, 125

Difference between vested and contingent, 125, 126

Distinction between purely personal legacies, and
those charged on land, 126

Given for a certain purpose which cannot take
effect, 127

Interest on, 127, 128

Charging real estate with payment of, 148

Marshalling as regards legatee against heirs, 148, 149

Relief given against wrong payment of, on ground of
accident, 217

Revocation of, by mistake, 223

Satisfaction or ademption of, in case of children,
335-346

When legacy to a stranger satisfied by subsequent
advancement, 346

LEGACIES—*continued*.

When a legacy operates in satisfaction of a debt,
346-350

Extrinsic evidence admitted to show legacy not a
satisfaction of a debt, 350

By parent to a child to whom he is indebted, 350

Question as to whether cumulative or substitutional,
351-353

LEGAL ASSETS, 130, 132, 133: *See* ASSETS.

LENDING MONEY,

Court will not decree specific performance of contract
for, 266

LESSOR AND LESSEE,

Breaches of covenants and provisions of Conveyancing
Act, 1881, 388-390

LETTERS,

Injunction to restrain publication of, 441

LIABILITIES,

Apportionment of, 380-382

LIABILITY OF TRUSTEES,

For advancing more than two-thirds on mortgage,
86, 87

For defaults of co-trustees, 87, 88

For defaults of agents, 88, 89

For neglecting to invest, 92

LIBEL,

• Injunction to restrain publication of, 446

LIEN,

For unpaid purchase-money, 56, 57

Against what persons such lien exists, 57

How such lien lost, 57

LIFE TENANT,

Position of, on paying off incumbrance on an estate,
381-383

LIMITATION, STATUTES OF,

Where not applying, the principle of laches often
does, 22, 23

LIMITATION, STATUTES OF—*continued*.

- Apply now to certain claims against trustees, 24, 96, 97
- Bar claims against married women's separate estate, 23, 24
- Liquidator of company barred by Statute of Limitations, 24
- Generally, but not always, bar claims on constructive trusts, 100, 101
- As regards accounts, 167, 168
- As regards mortgages, 184, 189
- Bar claim to surplus of sale moneys in mortgagee's hands, 196, 197

LIQUIDATED DAMAGES,

- Distinguished from penalties, 391, 392

LOCO PARENTIS,

- What is putting oneself in, 336

LOST DEEDS AND BONDS, 185, 218

LUNATICS,

- When transactions with, bad on ground of fraud, 232
- Jurisdiction as to, 311
- How they elect, 333
- If property of sold, no conversion effected, 375

M.

MAINTENANCE OF INFANTS,

- Different ways in which obtained, 303, 304
- When allowance for, made by the Court, 304
- Principle as to amount to be allowed for, 304, 305
- May be ordered though accumulation directed. 305
- Allowance for past, 306
- No account required from guardian as to expenditure of income allowed for, 306

MANDATORY INJUNCTIONS, 450

MARITAL RIGHTS,

- Fraud on, 397, 398

MARRIAGE: *See also* MARRIED WOMEN,

Settlement on, not good if design of parties to defraud creditors, 40

What parties within scope of settlement on, 43, 44

As to reforming settlement to make same agree with articles, 221

Conditions in restraint of, 236, 237

Fraud on a, 238

Engagement for, may cause transaction to be bad as constructive fraud, 249

Not a sufficient part performance of a parol contract, 268

When representations made on, must be made good, 269
Of a ward of Court, 307, 308

Effect of, on property of women, 395-397

MARRIAGE BROKAGE CONTRACTS, 235, 236

MARRIED WOMEN, 395-429

The Statutes of Limitations apply to bar claims against separate estate of, 23, 24

Borrowing money for their husbands' purposes, 54, 55

Lending money postponed to other creditors in administration of husband's estate, 136

Covenant to settle by infant married woman, 326, 327

How they elect, 331, 332

Position of, as to electing where property settled without power of anticipation, 332

Doctrines of Court as to, are all in connection with property, 395

Position as to Property of, at Common Law and by Statute, 395, 396

As to accrual of title to, 397

Fraud on husband's marital rights, 397, 398

Separate estate, 399, 400

What words will create separate estate by, 400

Clause against anticipation, 400, 401

Disposal of separate estate by, 402, 403

No need now to expressly settle property for separate use of, 404

But if desired she should hold property without power to anticipate, this must be stated, 404

MARRIED WOMEN—*continued.*

- Effect of anticipation clause, 404-410
- Judgment and execution against, 404, 405
- Debts of, before marriage, 405
- Bankruptcy of, 405, 406
- Joining in breaches of trust, 406, 407
- Effect of gift of corpus of stock or money to, without power of anticipation, 407-409
- Provision of Conveyancing Act, 1881, as to anticipation clause, 409
- Decisions under this provision, 409, 410
- Liability of their separate estate, 410-413
- No personal liability on the part of, 413
- Summary of exceptions to, general effect of the anticipation clause, 414
- Receipt by husband of wife's separate estate, 414, 415
- Distinction herein between corpus and income, 415, 416
- Liability of husband in possession of wife's money, 416
- Devolution of separate estate of, 417
- Protection to, in respect of separate property, 417, 418
- Pin-money, 418
- Paraphernalia, 418
- Distinction between paraphernalia and separate estate, 419
- Equity to a settlement, 420-426
- Right of by survivorship, 425, 426
- Provision of Malins' Act hereon, 426
- Separation deeds, 428
- Enforcing specific performance of agreements for separation and settlement of marital disputes, 428

MARSHALLING OF ASSETS, 147-155

- Definition of, 147
- Instance of, 147
- As regards legatees against heirs, 148
- Between legatees, 149
- No marshalling formerly in favour of a charity, 136
- Instance of this, 149, 150
- By direction of testator, 151
- Effect of Mortmain Act, 1891, hereon, 151, 152

MARSHALLING OF ASSETS—*continued*.

Not allowed in favour of a creditor to the prejudice
of another's rights, 153, 154

Not affected by provisions of Land Transfer Act,
1897, 155

MARSHALLING OF SECURITIES,

Generally as to, 152, 153

Not allowed to prejudice of a third party, 153

MAXIMS OF EQUITY,

Equality is equity, 20

Equity acts *in personam*, 20, 263

Equity follows the law, 8, 45

Equity imputes an intention to fulfil an obligation, 18,
334

Equity like nature will do nothing in vain, 360

Equity looks on that as done which ought to be done,
17, 359

Equity never wants a trustee, 65

Equity regards the spirit and not the letter, 9, 173

Foreclose down redeem up, 185

He who comes into Equity must come with clean
hands, 19

He who seeks equity must do equity, 18, 208, 253,
420

Ignorantia facti excusat, 218

Ignorantia legis neminem excusat, 218, 223

No right without a remedy, 7

Once a mortgage always a mortgage, 173

Qui prior est tempore, potior est jure, 10, 204

Vigilantibus non dormientibus aequitas subvenit, 21, 168,
252, 286

Where one of two innocent parties must suffer by the
fraud of another, he who has enabled the fraud to
be committed must be the sufferer, 234

Where the equities are equal the law prevails, 10, 203,
222

MEDICAL PRACTICE,

Whether the Court will decree specific performance of
contract for sale of, 280

MEDIUM,

Procuring settlement to be made on himself, 241

MERCANTILE CONTRACTS,

Time generally of the essence of, 284

MISCONDUCT OF FATHER,

Ground for taking children from his custody, 298

MISDESCRIPTION,

Effect of, as regards specific performance, 298, 299

MISTAKE, 218-227

Definition of, 218

Of fact relieved against, 218, 219

General rule as to giving relief on ground of, 219, 220

Remedy given in cases of, 220

As regards discrepancies between marriage articles and settlements, 221

May sometimes be implied, 221, 222

No relief on ground of, against *bona fide* purchaser, 222

In will, 222

Revocation of legacy on ground of, 223

Of law not generally relieved against, 223, 224

Exceptions, 224, 225

Compromises of doubtful rights, 225, 226

Of foreign law, 226.

Reason of the Court's interference in cases of, 226, 227

Evidence required by the Court, to enable it to rectify an instrument on the ground of, 227

MIXING TRUST MONEY WITH PRIVATE MONIES, 103

Monument, direction to erect and keep up, 60

MONEY LENDERS ACT, 1900, and construction put thereon, 233, 253

MORTGAGEES: *See* MORTGAGES.

MORTGAGEES' LEGAL COSTS ACT, 1895, 244

MORTGAGES, 172-213

Possessed by testator and passing to trustees on certain trusts and turning out insufficient securities, 74, 75, 77

MORTGAGES—*continued*.

- Investments by trustees in, 82-87
- Rule as to payment of mortgage debts in administration, 144, 146
- Definition of a mortgage, 172
 - Vivum vadium*, 172
 - Mortuum vadium*, 172
- Effect of at law and in Equity, 173
- Equity regards the spirit and not the letter, 173
- Once a mortgage always a mortgage, 173
- Equity of redemption must never be clogged, 173
- Mortgagee must not make a collateral advantage, 174
- Modern relaxation of this rule, 174, 175
- Position of purchaser of an Equity of redemption. 175, 176
- The doctrine of *Toulmin v. Steer* as regards an owner of an Equity of redemption paying off a mortgage, 176, 177
- How the doctrine may be prevented from applying. 177
- The doctrine of *Toulmin v. Steer* has practically ceased to exist, 177, 178
- Distinction between and condition for re-purchase. 178
- Transaction in the nature of sale with right of re-purchase, 178, 179
- Provisions for compound interest, and for increasing rate of interest, 180
- Modes of effecting, 181, 182
- Of copyholds, 181
- Of leaseholds, 181
- Equitable, 182
- Welsh mortgage, 182, 183
- Improvements in mortgagor's position by legislation, 183
- Leases by mortgagor, 183, 184
- Limitations of mortgagor's right to redeem, 184
- "Foreclose down, redeem up," 185
- Who may redeem besides the mortgagor, 185
- Right of mortgagor to indemnity in respect of any lost title deeds, 185

MORTGAGES—*continued.*

- Position if day named in mortgage not observed, 186
- Reconveyance on death of mortgagee, 186, 187
- Provision of Copyhold Acts, 1887 & 1894, hereon, 187
- Assignment of debt on payment off, 188
- How mortgagee may become absolute owner, 189
- Remedies of mortgagee may be exercised concurrently, 189
- Time for suing mortgagor on covenant, 189, 190
- Time for suing surety for a mortgagor, 190
- Position of mortgagee in possession, 191
- If mortgagee in possession he must account for all rent received, or which but for his default he would have received, 191, 192
- Mortgagee after once taking possession cannot go out of possession, 192
- As to annual rests, 192, 193
- What mortgagee may add to his mortgage money, 193
- Position of mortgagee who has permanently increased value of property, 193, 194
- Leases by mortgagee, 194, 195
- Power of mortgagee to cut timber, 195
- Mortgagee's power of sale, 195, 196
- Mortgagee selling to mortgagor or one of several mortgagors, 195, 196
- Duties of mortgagee in selling, 195, 196
- He is not a trustee of the power of sale, 195, 196
- How sale money to be applied, 196
- Liability of mortgagee for interest if he retains surplus on sale, 196
- Mortgagee may gain a right to retain surplus by lapse of time, 196, 197
- Foreclosure, 197, 198
- When foreclosure should be resorted to, 198
- Remedies of Equitable mortgagees, 198, 199
- Mortgagee's powers of insuring and appointing receiver, 199, 200
- When mortgagee may sue after foreclosing, 200, 201
- Mortgagee may sue after sale under power of sale, 200, 201

MORTGAGEE: *continued.*

Priorities of, 201, 202

Tackings, 203-207

For future advances, 203, 206

When negligence of mortgagee may cause his postponement, 206, 207

More carelessness will not cause such postponement, 206, 207

Consolidation, 207-211

Claim by mortgagee on realizing to retain surplus towards another debt, 211

Mortgagee realizing after death of mortgagor, and claiming to retain surplus towards another debt, 211, 212

Position on payment of, 212

Duty of mortgagee to transfer or reconvey to proper person, 212

Cancellation of mortgage, 212

Disadvantages of second, 212, 213

Solicitor mortgagee may now charge his costs, 211

Who is entitled to surplus of mortgaged property after mortgagor's death, 212

MORTGAGOR: *See* MORTGAGEE.

MORTMAIN,

Generally as to, 59-61

Provisions of Act of, 1891, 151, 152

MORTUUM VADUM, 172

MOTHER: *See* INFANTS,

Rights of, now under Guardianship of Infants Act, 1886, 291, 295

Position of, compared with that of father, 295, 296

Rights of, under Infants Custody Act, 1873, and Guardianship of Infants Act, 1886, 300-302

MUTUALITY OF REMEDY NECESSARY FOR SPECIFIC PERFORMANCE, 276

N.

NAME,

A person cannot be restrained from trading in his own name, 444

But he may sometimes be restrained from allowing others to trade in his name, 444

NE EXEAT REGNO,

Origin of writ of, and generally as to, 450

Writ of, now only issued in cases coming within the Debtors Act, 1869, 451

NEGLIGENCE,

May sometimes cause a mortgagee to lose his priority, 206, 207

NEW TRUSTEES.

Appointment of, 65, 66

NEWSPAPER COMMENTS,

May be restrained pending trial, 446

NON COMPOS MENTIS,

Contracts with persons, 232

NON-EXECUTION OF POWERS,

Not generally relieved against, 216

NOTICE,

Necessary to complete assignment of choses in action, 14

Rule in *Dearle v. Hall*, 15

This rule applies equally where choses in action pass to trustee in bankruptcy, 15

Need not be given by equitable sub-mortgagee, 15

Of incumbrances must be observed by trustees, 106

Position when given to one only of several trustees, 106

Not sufficient to give to solicitor of trustees, 201

What will amount to constructive, 201, 202

Prevents tacking, 204

Registration is not, 204

To treat, does not by itself effect a conversion, 362

NUISANCE,

What will constitute a, 438

Injunction to restrain, 438

General principles as to granting injunction to
restrain, 411

O.

ONCE A MORTGAGE ALWAYS A MORTGAGE, 173

OPEN ACCOUNTS, 167

OPERATION OF LAW,

Reconversion effected by, 378

OPTION TO PURCHASE,

Effecting conversion, 362-366

ORAL CONTRACT: *See* SPECIFIC PERFORMANCE,

When the Court will decree specific performance of,
266-272

ORAL VARIATION OF WRITTEN CONTRACT, 272, 273

ORDER OF COURT MAY EFFECT CONVERSION, 374

ORDER LV., RULE 3, 112

P.

PARAPHERNALIA,

Last property resorted to in administering husband's
estate, 141, 418, 419

What it is, and of what it consists, 418

Distinction between, and separate estate, 419

When gifts constitute, or separate estate, 419

Not affected by the Married Women's Property Act,
1882, 420

PARENT AND CHILD: *See* INFANTS,

Position of, as regards contracting, &c., 247, 248

PARLIAMENT,

Restraining application to, 434

PAROL CONTRACT: *See* SPECIFIC PERFORMANCE,

When Court will decree specific performance of,
266, 267

PAROL EVIDENCE,

- Admitted to rebut presumption of implied trust, 50
- Of subsequent oral variation of written contract,
272, 273
- Admitted to rebut doctrine of Equity, 50, 343-345,
350
- To show whether legacies cumulative or substitutional,
353

PAROL VARIATION,

- When Court will decree specific performance of
contract with, 266, 267

PARTITION, 312-320

- Different ways of effecting, 312
- Remedy at law compared with remedy in Equity,
312, 313
- Mode of effecting in Chancery, 313
- Of what property may be made, 313, 314
- Who may claim, 314
- The owner of an equity of redemption cannot get,
314
- As to directing sale in action for, 314
- Provisions of Partition Act, 1868, 315
- Distinction between the three provisions of the Act of
1868, 315, 316
- Difficulties arising under Act of 1868, 316, 317
- Provisions of Partition Act, 1876, 316, 317
- Sale in a partition suit may be directed to take place
out of Court, 318
- Costs of suit for, 318, 319
- If sale in an action for, when an infant concerned,
there is no conversion of the infant's share, 374

PARTNERSHIP, 156-171. (*See also* Partnership Act, 1890,
in Appendix, 498.)

- Trust money wrongly applied to purposes of, 111
- General law as to, now contained in Partnership Act,
1890, 156
- Definition of, 156
- Different ways in which it may be dissolved, 156, 157
- Charging a partner's share for his debts, 157

PERSONAL ESTATE,

Primary fund for payment of debts, 140

Reason for this being so, 141, 142

When, however, this is not so, 141

PERSONAL JUDGMENT,

For payment of debts, not made against married woman, 413

PIN-MONEY,

What it is, 418

What arrears of, can be recovered, 418

POLICY MONEY,

May be received by solicitor or banker for a trustee, 91

POLICY OF THE LAW,

Constructive frauds by reason of. 235-239

PORTIONS: See SATISFACTION,

Gifts to children regarded as, 336, 337

Court leans against double, 339, 340

POST OBIT BONDS, 251, 252**POWERS,**

Relief given against defective execution of, 214, 215

But not usually against non-execution, 216

Frauds on, 255-258

Release of, 257, 258

Excessive execution of, 258

Illusory and exclusive appointments under, 259

Election arising in the case of appointments under, 325

PRECATORY TRUSTS,

What is meant by, 32

Three essentials to constitute, 32

The Court leans against, 32, 33

PRESUMPTION AGAINST CHILD-BEARING IN CERTAIN CASES, 428**PRESUMPTION OF EQUITY,**

May be rebutted by parol evidence, 50, 342, 353

PRINCIPAL AND AGENT,

Principal may maintain action against agent for accounts, but an agent cannot generally against his principal, 166

Constructive fraud arising on account of relationship of, 246

PRIORITIES,

Of creditors, 133-137

Of mortgagees, 201-207

PRIVATE LETTERS,

Injunction to restrain publication of, 441

PRIVATE NUISANCE,

Injunction to restrain, 438

PROBATE COURT,

When no jurisdiction to grant probate of will, 456

Provision of Land Transfer Act, 1897, hereon, 456

PROMOTER OF COMPANY,

Stands in fiduciary position, 247

Who is, 226, 247

PROOF OF FRAUD, 232

PROTECTION OF TRUSTEES,

Provisions for, 111-113

PROVING A WILL IN CHANCERY, 456, 457

PUBLIC NUISANCE,

Injunction to restrain, 438

PUBLIC OR CHARITABLE TRUSTS,

What are, 58

Distinguished from superstitious trusts, 59, 60

PUFFER.

As to right to employ, 260, 261

PURCHASE,

Of property in another's name, 49-52

Of trust property by trustees, 95

Option to may effect a conversion when exercised, 362-365

PURCHASE-MONEY,

May be received by solicitor of trustee, 91

PURCHASER,

- Position of, *bond fide* for value, 16
- His former rights against voluntary trusts, 39
- From a settlee if without notice that settlement fraudulent, 42
- Not bound to inform vendor of value of property, 230

Q.

QUIA TIMET,

- Jurisdiction exercised on this ground, 261, 262, 458

QUISQUE RENUNTIARE POTEST JURE PRO SE INTRODUCTO, 272

R.

RECEIPTS OF TRUSTEES, 69, 70

RECEIVER,

- Appointment of by mortgagee, 199

RECONVERSION,

- Definition of doctrine of, 359
- Explanation of doctrine of, 359
- Example of, 360
- Who may effect, 360
- When one of several persons interested may reconvert, 377
- What will amount to, 377
- By operation of law, 378

RECONVEYANCE OF MORTGAGED PROPERTY ON DEATH OF MORTGAGEE, 186

RATIFICATION OF WRITTEN INSTRUMENTS, 214-262

See also ACCIDENT, MISTAKE, FRAUD.

REDEEMABLE STOCKS,

- When they may be purchased by trustees, 79

REDEMPTION: *See* EQUITY OF REDEMPTION—MORTGAGES,

- Who has right of, 79

REDUCTION OF STOCK,

- When relieved against as an accident, 217

REGISTRATION,

Is not in itself notice, 204

In Middlesex and Yorkshire prevents tacking, 204

Under Land Transfer Acts, 204

REIMBURSEMENT

Of trustees, 107

Release of power not usually a fraud, 257, 258

RELIEF OF TRUSTEES UNDER VARIOUS STATUTES, &c., 110,
111

RELIGION,

Father has right to have child brought up in his, 301

And this notwithstanding he has agreed to the
contrary, 301

REMOVAL OF GUARDIAN, 298

REMUNERATED TRUSTEES,

When trustees entitled to remuneration, 95

Liability of, 104, 105

RE-OPENING FORECLOSURE, 197, 198

REPAIR,

Contract to, not specifically enforced, 279

REPRESENTATIONS MADE ON MARRIAGE,

Effect of, 269

RESERVED BID AT AN AUCTION, 260, 261

RESIDUE UNDISPOSED OF UNDER A WILL, 53, 54

As to satisfaction by gift of, 340

RESTRAINING : *See* INJUNCTIONS.

RESTRAINT OF MARRIAGE,

Conditions in, 236, 237

RESULTING TRUSTS, 52

RESULTING USES, 53

RETAINER,

By executor or administrator, 122, 123

RETIREMENT OF TRUSTEES, 68, 105

REVERSIONARY PROPERTY,

Duties of trustee as to converting, 71, 74

Provisions of 31 Vict. c. 4, as to sale of, 250

Effect of this provision, 250, 251

REVOCATION

Of legacy by mistake, 223

RULE IN *Dearle v. Hall*, 15

RULE IN *Howe v. Earl of Dartmouth*, 71

S.

SAILORS,

Dealings with, 254

SALE,

By trustees, 75, 76

By mortgagee, 195, 196

Of property by auction, 260, 261

Of chattels, specific performance of contract for,
274-276

In partition suits, 314, 315

May be directed to take place out of Court, 318

SATISFACTION, 334-358

Maxim it depends on, 18, 334

Definition of, 334

Distinction between and performance, 334

Cases of express, 334, 335

Cases of presumed, 335

Two wide classes of, 335

In the case of portions, 335

What is putting oneself in *loco parentis*, 335, 336

No presumption of, in case of illegitimate child, 336

Gifts to children regarded as portions, 336, 337

Example hereon as contrasted with gifts to others, 337

Arises equally, whether first a settlement, or first a
will, 338

No substantial difference whether settlement first or
will, 338, 339

When styled ademption, 339

The Court leans against double portions, 339, 340

Instances to prove this, 340

SATISFACTION—*continued*.

May occur by a gift of residue, 340

Cases in which no satisfaction because of substantial differences, 341, 342

Evidence to rebut generally, 342, 343

Extraneous or extrinsic evidence allowed to rebut, 318, 342, 343

Principle on which such evidence admitted, 344

What such evidence may consist of, 344, 345

Extrinsic evidence not admitted to raise a case of, 345

Extrinsic evidence not admitted to contradict a writing, 345

One case of satisfaction of legacy to a stranger, 346

In the case of creditors, 346

Position where legacy to a creditor, and then debt paid, 346, 347

Court leans against, in cases of legacies and debts, 347

Instances showing this, 348, 349

Extrinsic evidence admitted to shew legacy no satisfaction of debt, 350

And then counter evidence is admitted, 350

No satisfaction in case of legacy by parent to child to whom he owes money, 350

As to legacies being cumulative or substitutional, 351, 352

SECOND MORTGAGES,

Trustees should not invest on security of, 80

Disadvantages of, 212, 213

SECRET COMPOSITIONS, 254

SECRET TRUSTS, 46-49

SECURED CREDITOR,

Position of in administration, 135

SECURITIES, MARSHALLING OF, 152, 153

SELDEN'S REMARKS ON EQUITY, 2, 3

SEPARATE ESTATE: *See also* MARRIED WOMEN,

Provisions of Married Women's Property Acts as to, 396

Doctrine of Court as to, 399

SEPARATE ESTATE: *See also* MARRIED WOMEN—*continued*.

- What words will create, 400
- Anticipation clause annexed to, 400-410
- Power to dispose of, 402
- Liability of, for debts and torts, 410, 411
- Liability to make good breaches of trust, 406
- Receipt of, by husband of corpus, and income of, respectively, 415, 416
- Devolution of, on death, 417
- Protection to married women in respect of, 417
- Distinction between and paraphornalia, 418, 419

SEPARATION DEEDS,

- Provisions in as to custody of children, 299
- When valid, 428

SEQUESTRATION,

- To enforce injunction, 450

SET-OFF,

- Not allowed by a trustee of a gain against a loss, 92, 93

SETTLED ACCOUNTS, 168, 169

SETTLEMENT,

- Cannot be enforced by volunteers, 34, 35, 43
- When it may be upset by creditors or purchasers, 38-43
- Provision of Voluntary Conveyances Act, 1893, 39
- Purchaser without notice of a settlement being fraudulent is protected, 42
- In favour of children by a former marriage, 44
- Cannot in direct terms be compelled by the Court where a ward marries, 308
- By an infant with Court's sanction, 309
- Effect of, by infant without the Court's sanction, 310
- Covenant in by infant to settle after acquired property, 326, 327
- When a fraud on husband's marital rights, 397
- Equity to, 420-425

SETTLEMENT OF BOUNDARIES,

- Origin of jurisdiction as to, 319
- Limit of jurisdiction as to, 319

SETTLEMENT OF BOUNDARIES—*continued*.

- Where lessee has confused lands demised with his own, 319, 320
- When many persons interested, 320
- Modern practice in action for, 320

SHIP,

- Injunction to restrain sailing of, 442

SKILL,

- Contract involving, not specifically enforced, 278
- But an injunction may sometimes be granted, 278, 279

SOLICITOR,

- As to duty of, to point out to client that a settlement is irrevocable, 37
- Liabilities of trustees for acts of, 89-91
- May now receive purchase-money for trustee, 91
- Not ordinarily liable for consequences of breach of trust by his client, a trustee, 102
- When trustees may employ, 108
- Position when trustee is a, 108, 109
- Position of in dealing with client, 242-246
- If a mortgagee, may now charge costs for the mortgage, or for acting for himself in any proceedings in connection with the mortgage, 244
- Must never purchase secretly from client, 244
- Cannot take gift from client *inter vivos*, 244, 245
- Will lose benefit of a clause enabling him, though executor or trustee, to make his charges, if he attests will, 246, note (z)
- Position of being an executor when estate insolvent, 246, note (z)
- As to enforcing specific performance of contract for sale of practice of, 280

SPECIAL INJUNCTIONS, 435.

SPECIFIC DELIVERY OF CHATTELS, 290-292

- When enforced irrespective of contract, 290, 291
- Provision of Common Law Procedure Act, 1854, and now of Order XLVIII., rule 1, hereon, 291, 292

SPECIFIC PERFORMANCE, 263-292

Is a remedy granted on the principle that Equity acts
in personam, 20, 21

Remedy by, peculiar to Equity, 263

Not given of voluntary contract, even though under
seal, 263, 264

Reason for this, 264

What sufficient contract, 264

Where an offer made there must be a direct acceptance,
265

And even then sometimes circumstances may shew no
contract was intended, 265

Cases in which Court decrees, 265, 266

Not decrees of contract to lend money, 266

Decree of contract to take a lease, even a yearly
tenancy, 266

Of oral contract, 266-272

Part performance of oral contract, 267, 268

What acts are a sufficient part performance, 267

What acts are not sufficient part performance, 267,
268

Marriage not a sufficient part performance, 268, 269

Whether the doctrine of part performance applies to
contracts relating to property other than land, 270,
271

Contract prevented from being put into writing by
reason of fraud, 271

Admission of parol contract in pleadings, 272

Distinction between position of plaintiff seeking and
defendant resisting, 272

Oral variation of a written contract may be set up as
a defence to, 273

When decreed of written contract with oral variation,
273

Of contracts relating to personal chattels, 274, 275

Provisions of Sale of Goods Act, 1893, as to, 275,
276

Must be a mutual remedy, 276

Infant cannot obtain, 276

May be obtained though contract only signed by
defendant, 277

SPECIFIC PERFORMANCE—*continued*.

- Cases in which Court will not decree, 277, 278
- Not granted in respect of personal acts, 279
- Injunctions granted in the nature of, 279
- Not generally granted to enforce contract to build or repair, 279
- Not granted of contract to sell goodwill unless connected with premises, 280
- Decreeing, although terms of contract not strictly observed, 280
- May be decreed with compensation, 281
- May be granted omitting some adjunct, 281, 282
- Not granted when land of different tenure, 282
- Purchaser's right to, notwithstanding misdescription, 282, 283
- As to time being of essence of contract, 283, 284
- Not granted if wrong or inequitable to do so, 284, 285
- Example of this, 285
- Is a discretionary remedy in the Court, 285, 286
- Formerly enforced after a voluntary settlement, at instance of purchaser, but not at instance of vendor, 286
- Effect of Voluntary Conveyances Act, 1893, 286
- In action for, damages may be granted, 286, 287
- May be granted of contract relating to lands abroad, 287, 288
- Course taken where in action for, it appears vendor has no title, 288
- Defence of doubtful title in action for, 288
- Instead of an action for, in certain cases, summons may be taken out under the Vendor and Purchaser Act 1874, 289,
- Powers of the Court under the Vendor and Purchaser Act, 1874, 289, 290
- Compelling delivery of chattels independently of contract, 290, 291
- Provisions of Common Law Procedure Act, 1854, and Order XLVIII., rule 1, hereon, 291, 292
- May be decreed of agreements for separation and settlement of marital disputes, 428

STATED ACCOUNTS, 167-169

STATUTE BARRED DEBT MAY BE PAID OR RETAINED BY
EXECUTOR, 123

STOCK,

Reduced by Act of Parliament, when relieved against
as an accident, 217

STRANGERS,

To trusts when held liable as trustees, 101, 102

To what extent, may appoint guardians, 296, 297

No satisfaction arising in case of gifts to, except in
one case, 346

SUBSTITUTIONAL LEGACIES, 351-353

SUPERSTITIOUS USES AND TRUSTS.

Distinguished from charitable trusts, 59, 60

Decisions, and generally hereon, 60, 61

STORCHARGING ACCOUNTS, 169

SURETY,

When absolved from liability on ground of fraud, 231

May take proceedings *Quia timet* to compel principal
to pay debt, 262

Contribution between sureties, 383, 384

Right of to participation in security held by co-surety.
384

SURVIVORSHIP,

Wife's right of, 425, 426

T.

TABULA IN NAUFRAGIO, 203

TACKING,

Maxim it depends on and generally as to, 11

Definition of, 203

Reason of doctrine of, 203

Notice prevents, 204

Effect of registration in Middlesex and Yorkshire on.
204

Effect of registration under Land Transfer Acts, 204

Legislative provisions as to, 205

By express provision, 205, 206

TAIL, TENANT IN,

Position of, on paying off incumbrance on an estate,
381, 382

TENURE,

If land of different, specific performance not decreed,
282

TERM OF YEARS,

When trustees may invest in, 80

TESTATOR,

Agreement to influence, is bad as a fraud, 238

But not agreement to divide benefits expected under a
will, 239

TIMBER,

When mortgagee may cut, 194, 195

TIME: *See* LIMITATION, STATUTES OF,

Point of priority of, 10-13

Qui prior est tempore potior est jure, 10-13

When lapse of, bars claim on trusts, 96-101

Priorities of mortgages, 201

As to its being of essence of contract, 283, 284

From which conversion takes place, 366, 367

TITLE,

What may be taken by trustees, 83

Position where, in action for specific performance, it
appears a vendor has no title, 288

Doubtful, 288

Points on, may be determined under Vendor and
Purchaser Act, 1874, 289, 290

TITLE DEEDS,

Must be kept securely by trustee, 77

And by a mortgagee, 185

TOMB, TRUST FOR KEEPING IN REPAIR, 60

TRADE MARK,

Right to, and injunction to restrain infringement of,
440

Effect of registration of, 440

TREAT, NOTICE TO,

Does not by itself effect a conversion, 362

TRESPASS,

When mortgagor may sue for, 183

Injunction to prevent, 435

TRUSTEES: (*See also* Trustee Act, 1893, and Amendment Act of 1894, Judicial Trustee Act, 1896, and Epitome of Rules thereunder in Appendix 459-497)

Cannot take trust property for their own benefit though undisposed of, 48, 54

Provision of Intestates' Estates Act, 1884, 54

Powers of survivor of, 65

Equity never wants, 65

Appointment of new, 65, 66

Who may be, 66, 67

Under the Judicial Trustee Act, 1896, 67

Their powers and duties, 67, 68

Their right to disclaim and mode of disclaimer, 68

Retirement of, 68

Devolution of estate of, 68

Provisions of Copyhold Acts, 1887 and 1894, 69

Their power to give receipts, 69, 70

Their power to compromise, &c., 70

Under the Land Transfer Act, 1897, 70

Conversion of property by, 71

Duties of, as to wasting and reversionary property, 71-74

Right of tenant for life before conversion of wasting or reversionary property, 72, 73

Position as regards mortgages held for one for life, and then another, and which turn out to be insufficient, 74, 75

Duties of, as to selling, 75, 76

Duties of as regards investments, 76, 77

Must keep muniments of title securely, 77

Powers of, as to investment, 77-83

Discretion in investments, 79

When they may invest in stocks standing at a premium but redeemable at par, 79

Investment of capital money under Settled Land Act, 1882, 79, 80

When they may invest in leasehold property, 80

TRUSTEES—*continued.*

- Should not invest on second mortgage, 80
- May invest on property though subject to a charge under the Public Money Drainage Acts, or the Improvement of Land Acts, 80, 81
- Position as to advancing money on mortgage, 82-87
- Provision of Trustee Act, 1893, hereon, 82, 83
- What title trustees may take, 83
- Prudence must always be observed by, 84
- How trustees may still be liable, notwithstanding Trustee Act, 1893, 85
- Duties of, in making investments, 85, 86
- Must not lend on contributory mortgage, 86
- Nor for a period of years, 86
- Extent of liability of, for improper investments, 86, 87
- Example of position now, 87
- Liability for defaults of co-trustees, 87, 88
- Liability for acts of agents, 88, 89
- Duty of, to keep securities under their control, 88
- Liability for acts of solicitor, banker, or auctioneer, 89-92
- May now employ solicitor to complete purchase, or receive policy moneys, and need not personally attend completion, 91
- Liability for failure of bank, 92
- Liability for failure of auctioneer, 92
- Liability for not investing, 92
- When liable for higher interest than ordinarily, 92
- Gain made by, cannot be set-off against loss, 92, 93
- Contribution and indemnity between, 93
- Have joint powers only, 94
- Generally not remunerated, and must not make profit, 94, 95
- But entitled to be reimbursed all proper expenses, 94
- Exceptional cases in which remuneration allowed, 95
- Must not purchase trust property, 95
- Effect of time as regards breaches of trust by, 96-98
- Effect of Statute of Limitations, as regards claims against, 96, 97
- Breach of trust by only creates a simple contract debt, 97

- Effect of Statute of Limitations applies, time from which runs, 96
- Effect of notice or acquiescence as regards claims against trustee, 97, 98
- Effect of notice or acquiescence of procuring trustee to commit breach of trust, 98-100
- Effect of acquiescence in claims against constructive trustees, 100-101
- Effect of notice or acquiescence as to a trust being held liable as constructive trustee, 101, 102
- Excluded from fraudulent breaches of trust by constructive trustee, 102
- Wrongfully disposed of by, may be recovered, 102, 103
- Must not mix trust money with their private moneys, 103
- Proper employment of trust property for partnership in which trustee engaged, 104
- With care and diligence bound to use, 104
- Whether their liability is increased if remunerated, 104, 105
- Fidelity of a retiring trustee, 105
- Must give reasonable information to *cestuis que trustent*, 105
- Not bound to answer inquiries as to incumbrances, 105
- If they answer such an inquiry not liable, in the absence of estoppel, if information incorrect if they believed it to be true, 105, 106
- Must pay regard to notices of incumbrances they have received, 106
- Indemnity and reimbursement of, 107, 108
- Employing a solicitor, 108
- Effect of institution of legal proceedings on powers and discretions of, 109
- Provisions for protection of, 110-113
- Rights and position of, on termination of their duties, 114
- Presumption as to payments made by, out of banking account, 170

TRUSTEES—*continued*.

- Notice to, should be given personally and not to solicitors of, 201
- Must make full disclosures when dealing with their *cestuis que trustent*, 231
- May allow income of property for maintenance of infant, 303
- Writ of *ne exeat regno* to restrain going abroad, 450

TRUSTS,

- Definitions of a trust, 28
- Division of, 28
- History of modern doctrine of uses and trusts, 29, 30
- Of personalty, 31
- What property may be the subject of, 31
- The object of, must not be illegal, 32
- Definition of express trust, 32
- Three essentials, 32
- Precatory, 32
- When writing necessary, 33
- Voluntary trusts, 34-37
- If complete, are irrevocable, 36
- In favour of creditors, 37, 38
- When fraudulent under Statute of 13 Eliz., c. 5, 38-42
- The rule under 27 Eliz., c. 4, 39, 42, 43
- Provision of Voluntary Conveyances Act, 1893, 39, 43
- Executed and executory, 44, 45
- Construction of executed and executory trusts, 44, 45
- The subject of secret trusts, 46-49
- Implied and constructive, 49-58
- Resulting, 52
- Private, and public or charitable, 58
- What are charitable, 59
- Charitable trusts distinguished from superstitious trusts, 59, 60
- In favour of animals, 61
- Favour shown to charitable, 61-63
- As to time barring claims on constructive, 100
- Funds belonging to, may be prevented from being applied to expenses of application to Parliament, 434, 435

U.

UNIFORM FIDEL, 231

USURPATION AS TO DAMAGES,

On the granting of interlocutory injunction, 449

USE OF ESTATE OF RESIDUE UNDER A WILL, 53

USE,

Modern doctrine of, &c., 29-31

Statute of, 29, 30

Resulting, 35

V.

VALUE,

Trusts based on, 31, 43

VENDOR: *See* SPECIFIC PERFORMANCE,

Not bound to disclose patent defects, though he is
latent defects, 229, 230

VENDOR AND PURCHASER ACT, 1874, 289, 290

VENDOR'S LIEN,

For unpaid purchase money, 56, 57

How lost, 57

VEILED AND CONTINGENT LEGACIES, 125-127

VIVUM VADUM, 172

VOLUNTARY CONTRACT,

Specific performance of not enforced even though
under seal, 263, 264

• VOLUNTARY CONVEYANCES ACT, 1893, 39, 43, 64, 262, 286

VOLUNTARY TRUSTS, 31-44

If by act *inter vivos* must be complete, 31, 35

Are irrevocable unless power of revocation reserved, 36

Liable to be defeated, 38-44

May be a fraud on creditors, 38-42

Position of purchaser after creation of a voluntary
trust, 43

A party may be a volunteer although a settlement is
based on value, 43, 44

Position of volunteer as to proof if settlement ques-
tioned, 249

W.

WAIVER,

Of right of equity to settlement. 425

WARD OF COURT: *See* INFANTS—GUARDIAN,

Who is a, 306

General rule as to treatment of, 306

Marriage of, 307, 308

Injunction to prevent marriage of, 308

Settlement of property of, cannot in direct terms be compelled, 308, 309

WASTE,

Equitable doctrine as to, 58

Injunction to restrain, 435

If ameliorative, no injunction granted, 447

WASTING PROPERTY,

Duty of trustees as to converting, 71, 72

WEAK UNDERSTANDING,

Contracts with persons of, 232

WELSH MORTGAGE, 182, 183

WILFUL DEFAULT BY ACCOUNTING PARTY, 167

WILL: *See* ADMINISTRATION, &c.:—LEGACIES,

Rectification of, on ground of mistake, 222, 223

Proceedings to establish, 455

When Probate Division no jurisdiction to grant probate of, 456

Provision of Land Transfer Act, 1897, hereon, 456

Proving in Chancery, 456, 457

WRITING,

When necessary to create a trust, 33, 34

Y.

YEAR ALLOWED TO EXECUTOR TO WIND UP ESTATE, 117

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